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# SAN FRANCISCO PORT COMMISSION

**Doreen Woo Ho, President**
**Kimberly Brandon, Vice President**
**Willie Adams, Commissioner**
**Leslie Katz, Commissioner**

**Monique Moyer, Executive Director**
**Phone: 415-274-0400; Fax 415-274-0412**

**Amy Quesada, Commission Secretary**
**Phone: 415-274-0406; Fax 415-274-0412**

## AGENDA

**TUESDAY, NOVEMBER 13, 2012**
**1:30 P.M. CLOSED SESSION**
**3:15 P.M. OPEN SESSION**

**PORT COMMISSION HEARING ROOM, SECOND FLOOR**
**FERRY BUILDING, SAN FRANCISCO CA 94111**

**PLEASE NOTE THE DATE & TIME OF THE MEETING**

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.*

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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** – October 23, 2012

3. **PUBLIC COMMENT ON EXECUTIVE SESSION**

4. **EXECUTIVE SESSION**

   A. Vote on whether to hold closed session.

   An Executive Session has been calendared to discuss the following matters:

   (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

a. Property: Pier 28½, submerged Bay lands and portions of the shoreline at the foot of 23rd Street; portions of Custer Avenue, Evans Avenue, Davidson Avenue and Ingalls Street; and Pacific Gas & Electric owned parcels Block 4120 Lot 2 and Block 4110 Lot 8a near 22nd and Illinois Street.
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development and Brad Benson, Special Projects Manager
*Negotiating Parties: Developer: Pacific Gas & Electric: Darin Polsley

Under Negotiations: ___Price ___ Terms of Payment _X_ Both
PG&E has proposed to construct a new, single circuit transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility. A portion of the line is proposed to be constructed on property owned by the Port pursuant to a license agreement between the Port and PG&E. In this executive session, the Port's negotiator seeks direction from the Port Commission regarding the price and terms of payment for PG&E's use of the Port's property. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and/or to more effectively negotiate the price and payment terms. In addition, the Port negotiator seeks direction about whether the disposition of Port-owned paper streets (Custer Avenue, Evans Avenue, Davidson Avenue & Ingalls Street) in the vicinity of the former Hunter's Point Power Plant and PG&E owned parcels at the intersection of 22nd and Illinois Streets (Assessor's Blocks 4120 lot 2 and 8a) should be included in the negotiation, potentially as a form of compensation.

b. Property: Piers 30/32 and Seawall Lot 330
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development and Brad Benson, Special Projects Manager
OEWD: Jennifer Matz, Ken Rich, Tamsen Drew
*Negotiating Party: Golden State Warriors and GSW Arena LLC: Rick Welts, Ellen Warner, Jesse Blout, Michael Cohen

Under Negotiations: ____ Price ___ Terms of Payment X Both
Pursuant to Resolution No. 12-61, the Port Commission awarded GSW Arena LLC an exclusive negotiation agreement for the potential lease, disposition and development of real property interests in Piers 30-32 and Seawall Lot 330. In this executive session, the Port's negotiators seek direction from the Port Commission regarding price and/or terms of payment, including rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are

most likely to maximize the benefits to the Port, the City and the People of the State of California.

c. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

Under Negotiations: ____Price ____Terms of Payment X Both
Pursuant to Resolution No. 10-32, the Port Commission awarded to the non-Port party an exclusive negotiation agreement with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the lease and development of the property. The executive session will enable the Port Commission to develop a negotiating strategy tailored to maximize the City's return based on these factors. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

## 5. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

## 6. ANNOUNCEMENTS

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## 7. EXECUTIVE

A. Executive Director's Report
- Milestone Update: Brannan Street Wharf
- Passage of Proposition B, Clean and Safe Neighborhood Parks Bond
- Seawall Lot 337 Open House at AT&T Park - November 14, 2012 at 6 p.m.
- Crab Season Opening - November 15, 2012

## 8. CONSENT

A. Request authorization to advertise for competitive bids for Construction Contract No. 2759, Pier 23 Electrical Service Upgrade for the 34th America's Cup Event. (Resolution No. 12-85)

B. Request authorization to accept a gift of an outdoor water bottle refilling station with a market value of $2,595 from Most Dependable Fountains, Inc. (Resolution No. 12-86)

C. Request authorization to accept and expend $50,000 in grant funding from the California Department of Boating and Waterways Abandoned Watercraft Abatement Fund for removal and demolition of abandoned recreational watercraft on the Port waterfront. (Resolution No. 12-87)

D. Request authorization to accept and expend a $20,000 grant from the California Department of Boating and Waterways Vessel Turn-In Program to allow for removal, storage and disposal of eligible surrendered vessels within the Port of San Francisco. (Resolution No. 12-88)

## 9. PLANNING & DEVELOPMENT

A. Informational presentation regarding the Fiscal Feasibility Report for the San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330 and Request Approval of a First Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets. (Resolution No. 12-89)

B. Request approval of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet and authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28 ½ and

the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002). (Resolution No. 12-90)

C. Informational presentation on the Fiscal Feasibility Analysis of Pier 70 20th Street Historic Buildings Term Sheet with Orton Development Inc. ("ODI").

D. Informational presentation on the Status of the Port of San Francisco's Blue Greenway Projects.

**10. FINANCE & ADMINISTRATION**

A. Request authorization to award Master Contracts to three firms: Parsons Brinkerhoff/Structus Joint Venture, Gerwick/SDE Joint Venture, and Creegan+D'Angelo/AGS Joint Venture for As-Needed Engineering and related Professional Services, each in the amount of $1.5 million, totaling $4.5 million. (Resolution No. 12-91)

B. Accept the Port's Quarterly Report on Contracting Activities for Fiscal Year 2012-13 (July 1, 2012 through September 30, 2012).

**11. NEW BUSINESS**

**12. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

**13. ADJOURNMENT**

## FORWARD CALENDAR
## (TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)

**DECEMBER 11, 2012**

| | FACILITY/ POLICY | ITEM | TITLE |
|---|---|---|---|
| 1 | SWL 337 | Informational | Present Seawall Lot 337 term sheet |
| 2 | South Beach Harbor | Action | Consider agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program |
| 3 | South Beach Harbor | Action | Request approval of new structure for South Beach Harbor Berthing Rates and Parking Management |
| 4 | Pier 9 | Action | Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association amending the rental schedule throughout the term of the lease for space located at Pier 9 |
| 5 | Pier 23 | Action | Request authorization to award Construction Contract No. 2759, Pier 23 Electrical Upgrade for 34th America's Cup |
| 6 | Pier 27 | Action | Request authorization to execute amendments to the Construction Manager/General Contractor contract with Turner Construction, the Architectural and Engineering contract with KMD-Pfau Long and Bermello Ajamil, and the MOU with DPW, in order to provide construction and support services for Phase 2 of the Pier 27 Cruise Terminal project |
| 7 | Pier 94 | Action | Request approval of a no cost ten-year license, License No. 15210, with Golden Gate Audubon Society to install and maintain imported soil and native plants within the upland area adjacent to the Pier 94 Wetlands, in the eastern portion of Seawall Lot 344 |
| 8 | 295 Terry Francois Blvd | Action | Request authorization to award the right to enter into Exclusive Negotiations with the successful respondent to the 295 Terry Francois Boulevard Request for Proposals ("RFP") for a Retail Restaurant Lease for the Operation and Redevelopment of the Restaurant Site |

**JANUARY 8, 2013**

| | FACILITY/POLICY | ITEM | TITLE |
|---|---|---|---|
| 1 | Election | Action | Election of Port Commission Officers |
| 2 | Transportation | Informational | Update on Embarcadero Transportation Network Assessment |
| 3 | Portwide | Informational | Present status of yellow tagged facilities |
| 4 | SWL 337 | Action | Request approval of Term Sheet between Port and Seawall Lot 337 Associates, LLC for development of a mixed use project at Seawall Lot 337 (bounded generally by China Basin, the San Francisco Bay, Mission Rock Street and Third Street |
| 5 | Pier 70 Waterfront Site (Forest City) | Informational | Present Forest City's proposed plan for the Pier 70 Waterfront Site. |

**DATE TO BE DETERMINED**

| | FACILITY/POLICY | ITEM | TITLE |
|---|---|---|---|
| 1 | Pier 22½ | Informational | Present the San Francisco Fire Department Earthquake Safety and Emergency Bond Improvement at Pier 22½ |
| 2 | Portwide | Action | Request approval to enter into agreements with the San Francisco Municipal Transportation Agency and the regional bike share program operator to use Port property for the Bay Area Regional Bike Share Pilot Program |
| 3 | SWL 351 | Action | Request approval of resolution recommending that the Board of Supervisors form a City and County Infrastructure District No. 2 and adopt the Infrastructure Financing Plan included in Appendix C which will capture tax increment from the Seawall Lot 351 project (commonly known as the 8 Washington Street project) for site open space improvements, the Cruise Terminal project, under-pier utilities and pier substructure repairs; and authorizing the Port's Executive Director to enter into a Memorandum of Understanding with the City and County of San Francisco acting through the Controller's Office to implement the District |
| 4 | Pier 70 | Action | Request approval of Federal Cost Sharing Agreement between the Port of San Francisco and the U.S. Army Corps of Engineers for study of the Central Basin Dredge Project |
| 5 | Pier 70 Waterfront Site (Forest City) | Informational | Present Forest City's term sheet for the Pier 70 Waterfront Site |
| 6 | Pier 70 Waterfront Site (Forest City) | Action | Request approval of Forest City's term sheet for the Pier 70 Waterfront Site |

## COMMUNICATIONS TO PORT COMMISSION

- From Joe D'Alessandro, President & CEO of SF Travel, regarding support for Arena Development at Piers 30-32
- From Stephanie Martin, former Chief of Communications Officer for the 34th America's Cup, regarding support for the Multi-Use Stadium on Piers 30-32
- From Taylor Safford, President & CEO of Pier 39, regarding Warriors Arena
- From Craig Schwan, General Manager, Sheraton Fisherman's Wharf Hotel, regarding support for Warriors Arena
- From the Academy of Art University, invitation to the 55th Annual San Francisco International Auto Show on November 21, 2012 at Moscone Convention Center

## DECEMBER 2012//JANUARY 2013

## CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

| DATE | TIME | GROUP | LOCATION |
|---|---|---|---|
| **DEC. 11** | 2:00 p.m.<br>Closed Session | Port Commission | Port Commission Hearing Room @ the Ferry Bldg. |
| | 3:15 p.m.<br>Open Session | Port Commission | Port Commission Hearing Room @ the Ferry Bldg. |
| **JAN. 8** | 2:00 p.m.<br>Closed Session | Port Commission | Port Commission Hearing Room @ the Ferry Bldg. |
| | 3:15 p.m.<br>Open Session | Port Commission | Port Commission Hearing Room @ the Ferry Bldg. |

**NOTES**:
The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

## ACCESSIBLE MEETING INFORMATION POLICY

**FERRY BUILDING:**
The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

**Know Your Rights Under the Sunshine Ordinance:**
Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.

## NOTICES

**Prohibition of Ringing of Sound Producing Devices:**
The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Request authorization to advertise for competitive bids for Construction Contract No. 2759, Pier 23 Electrical Service Upgrade for the 34th America's Cup Event

**DIRECTOR'S RECOMMENDATION: Approve Attached Resolution**

## Overview

Port staff request Port Commission authorization to advertise for competitive bids for Contract No. 2759, Pier 23 Electrical Service Upgrade for the 34th America's Cup ("AC34") Event. The scope for this proposed construction contract consists of adding one new electrical service and distribution to serve Pier 19 and Pier 23 (the "Project"). The upgrade is needed to provide power to America's Cup operations, including a Media Center to be located at Pier 23.

## Background

On March 27, 2012, by Resolution 109-12, the Board of Supervisors unanimously approved the terms of a Lease Disposition Agreement ("LDA") between the City acting through the Port and the America's Cup Event Authority ("Authority") to host the AC34 events in 2012 and 2013. The Port Commission approved the agreement on April 24, 2012 by Resolution 12-34. As reflected in AC34 status reports presented monthly to the Port Commission beginning at its May 29, 2012 meeting, AC34 improvements affect a number of Port facilities, including Pier 23.

The existing 400 Amp, 120/240 Volt power system in Pier 23, built in 1930, does not have adequate capacity to meet the power requirement of AC34 Media Center operations.

**THIS PRINT COVERS CALENDAR ITEM NO. 8A**

Port Engineering staff and San Francisco Department of Public Works prepared the construction documents for this project. The work scope includes installing new PG&E service consisting of 1000 Amp, 480Volt switchgear in Pier 19, feeder to and distribution in Pier 23. The new system will be able to support the AC34 event and also provide power for future operations.

**San Francisco Local Hiring Policy for Construction**

The proposed contract will include the requirements to hire locally in accordance with the City's new local hiring ordinance (known as the San Francisco Local Hiring Policy for Construction), which became effective on March 25, 2011. The mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 25%, with a goal of no less than 10% of Project Work Hours within each trade to be performed by disadvantaged workers.

**Human Rights commission (HRC)**

The solicitation for bids will be advertised to reach contractors through the following methods:

- Human Rights Commission list of contractors
- Human Resources Outreach list of contractors
- Port Internet Website
- City and County of San Francisco purchasing internet
- Plan rooms (Builders Exchange, Contractors Information network, etc.) 18 total
- Newspapers (SF Examiner, SF Chronicle and Small Business Exchange)

In the solicitation of bids for this project, Port staff will follow San Francisco Human Rights Commission (HRC) bidding procedures and requirements. The Human Rights Commission has reviewed the project scope and recommended a 26% subcontracting goal for Local Business Enterprises (LBE) in the solicitation of bids.

**Regulatory Approvals**

As discussed in AC34 status reports to the Port Commission, the Port has secured required environmental review and BCDC approvals required for the work at Pier 23. This project will have Building Permit and interdivisional approvals prior to construction award per Port Engineering Standard guidelines.

## Funding

The engineer's estimate and funding source for this project are noted below:

| TITLE | AMOUNT |
|---|---|
| Engineer's Estimate | $ 913,664 |
| 10% Project Contingency | $ 91,366 |
| Total | $ 1,005,030 |

The estimated project construction cost and 10% contingency are fully funded by proceeds of the City's issuance of Certificates of Participation (COPs), with debt service to be repaid from the Port's funds.

## Schedule

The project construction is scheduled to start in January, 2013 and the anticipated completion date is in April, 2013.

The following is the anticipated project schedule:

| | |
|---|---|
| Commission Approval to Advertise | November 13, 2012 |
| Advertise for Bid | November 15, 2012 |
| Bids Due | November 29, 2012 |
| Award of Contract | December 11 2012 |
| Notice to Proceed | January 3, 2013 |
| Final Completion | April 26, 2013 |

## Summary

Port staff is prepared to seek competitive bids for the subject construction project. Therefore, Port staff requests Port Commission authorization to advertise for competitive bids for the contract No. 2759, Pier 23 Electrical Service Upgrade for 34th America's Cup Event.

Prepared By: James J. Lee, P.E.
Electrical Engineer

Mabal S. Bhat
Senior Electrical Engineer

For: Edward F. Byrne, S.E.
Chief Harbor Engineer

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-85**

WHEREAS, Port staff is prepared to advertise and seek competitive bids for the construction Contract No. 2759, Pier 23 Electrical Service Upgrade for the 34th America's Cup ("AC34") Event; and

WHEREAS, the proposed construction Contract No. 2759 will add 1000 Amp, 480 Volt electrical service, which is needed to satisfy requirements of the planned AC34 operations at Pier 23, in addition to the existing services at Pier 19 and Pier 23; and

WHEREAS, Port engineering staff and Department of Public Works engineering staff have prepared design drawings and specifications for this proposed contract; and

WHEREAS, the engineering construction cost estimate for this project is $913,664, with a 10% contingency of $91,366, for a total of $1,005,030; and

WHEREAS, the estimated project cost and 10% contingency are fully funded by proceeds of the City's issuance of Certificates of Participation (COPs), to be repaid from Port funds; and

WHEREAS, the solicitation and proposed contract will include the requirements for the contractor to hire locally in accordance with the City's Local Hiring ordinance (also known as the San Francisco Local Hiring Policy for Construction, Section 6.22(G) of the City Administrative Code), which became effective on March 25, 2011; and

WHEREAS, the solicitation and proposed contract will include a 26% subcontracting goal for Local Business Enterprises (LBE), as recommended by the Human Rights Commission; now therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for Contract No. 2759, Pier 23 Electrical Service Upgrade for 34th America's Cup Event.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of November 13, 2012.***

_____
Secretary

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Request authorization to accept a gift of an outdoor water bottle refilling station with a market value of $2,595 from Most Dependable Fountains, Inc.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution

## Summary

The company, Most Dependable Fountains, Inc., has offered as a gift a water bottle filler and drinking fountain referred to as a water bottle refilling station ("station"). This station would allow a person to both refill a water bottle and drink from a fountain. This station would be installed in the new plaza in front of Pier 45 Shed A, which is part of the Pier 43 Bay Trail Promenade project by the end of this calendar year. This new plaza is located on The Embarcadero at Taylor Street, in the Fisherman's Wharf District. Please find attached Exhibit A, which provides images of the station in its proposed location, and the Pier 45 Plaza concept plan with the station location identified.

## Background

On February 14, 2012, the Port Commission passed a "Zero Waste Events and Activities Policy" that prohibits the sale, use and distribution of single-use plastic water bottles and other plastics at waterfront events with an expected attendance of 5,000 people or more. In response to this policy action, Port staff identified sites for water bottle refilling stations to reduce the use of single use plastic bottles, and is now working on station installations. Water bottle filling stations are already installed in several City parks, and are or will be installed at the Port's Heron's Head Park and Brannan Street Wharf.

**THIS PRINT COVERS CALENDAR ITEM NO. 8B**

While comparing stations from the two leading station manufactures (Elkay and Most Dependable Fountains, Inc.), the Port was offered a station from Most Dependable Fountains, Inc. as a gift with a market value of $2,595. Under Administrative Code section 10.100-305, the Port Commission is authorized to accept gifts of goods with a market value of up to $10,000. If the Port Commission authorizes accepting this gift, this station will be installed in the Fisherman's Wharf District by the end of the year. This gift and its market value would also be recorded in the Port's annual fiscal report to the Board of Supervisors. The Port is grateful to Most Dependable Fountains, Inc. for their generosity.

Prepared by: Kanya Dorland, Planner

For: Byron Rhett, Deputy Director
Planning & Development

Exhibit A – Site Furnishings Layout

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-86**

WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and

WHEREAS, The Board of Supervisors adopted Resolution No. 679-02 setting a goal of 75% diversion from landfill by 2010 and promoting the highest and best use of recovered materials and authorizing the Commission on the Environment to adopt a zero waste goal, which it set as 2020; and

WHEREAS, Single-use plastic water bottles are resource-intensive to produce, fill and transport, and contribute to waste management challenges at large public events; and

WHEREAS, By Resolution No. 12-11, the Port Commission adopted a Zero Waste Events and Activities Policy that directs Port staff to include in all licenses, leases, or other real property agreements pertaining to events with an expected attendance of 5,000 or more people the provisions of this policy, which prohibits the sale, use and distribution of single-use plastic water bottles; and

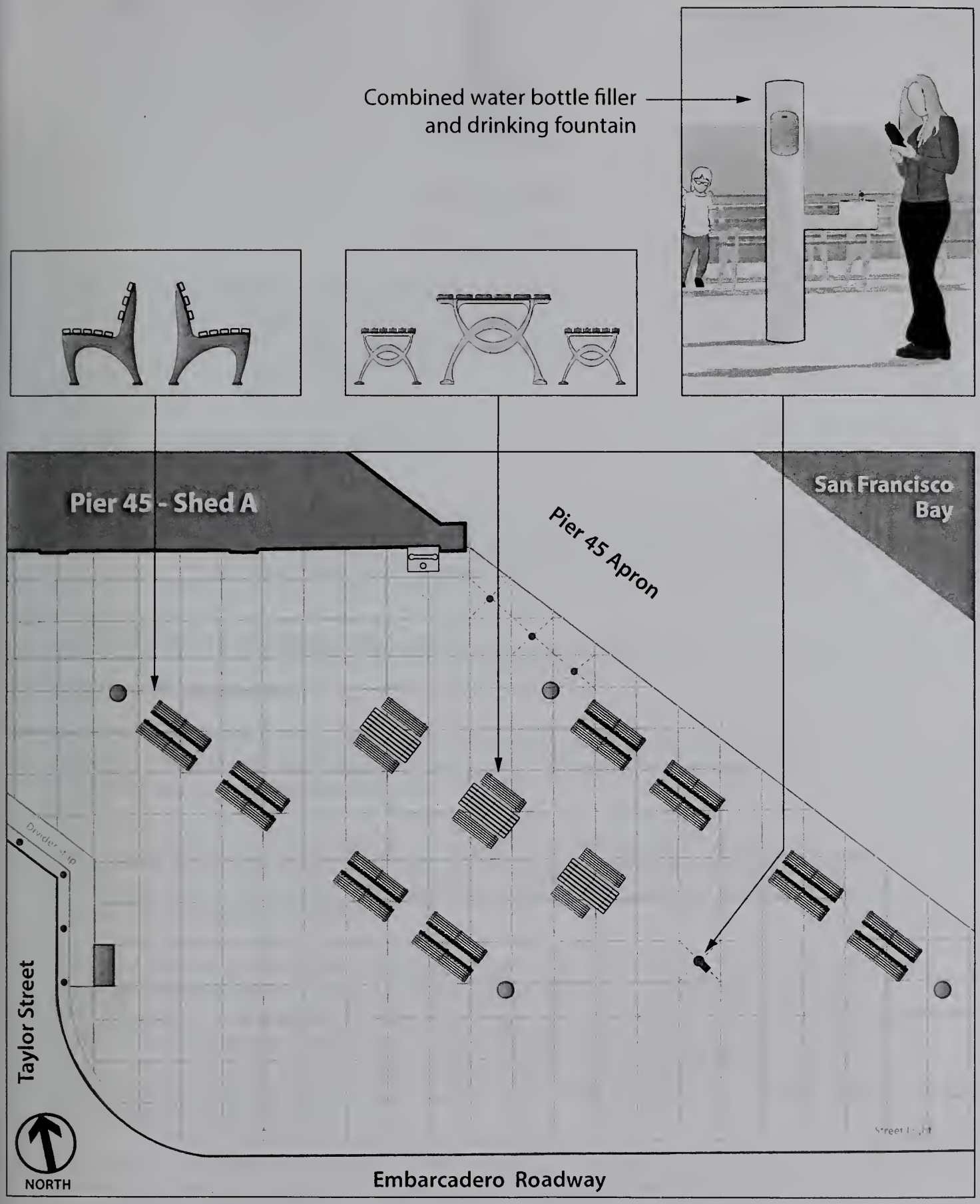
WHEREAS, The Port is installing water bottle refilling stations at open spaces on the waterfront to reduce the use of plastic water bottles, and has identified locations for them; and

WHEREAS, Most Dependable Fountains, Inc. has offered to the Port an outdoor water bottle refilling station with a market value of $2,595, which is within the $10,000 allowance for gifts acceptable by the Port Commission; now therefore be it

RESOLVED, That this Port Commission hereby authorizes the Executive Director of the Port, or her designee, to accept this gift of a water refilling station with gratitude from Most Dependable Fountains, Inc. for installation along the Port's waterfront property, and directs the Executive Director to report the gift as required under Administrative Code section 10.100-305.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 13, 2012.***

_____
Secretary




Pier 45 Plaza

Site Furnishings Layout

Port of San Francisco

November 8, 2012

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. William Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Request authorization to accept and expend $50,000 in grant funding from the California Department of Boating and Waterways Abandoned Watercraft Abatement Fund for removal and demolition of abandoned recreational watercraft on the Port waterfront.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

## EXECUTIVE SUMMARY

Statewide, the disposal of abandon watercraft has been an ongoing issue. Many recreational boats are abandoned by their owners in public waterways creating navigational and environmental hazards.

In 1997, the state legislature enacted Senate Bill 172 (Rainey) which created the Abandoned Watercraft Abatement Fund, a grant program available for public agencies to use for the removal of abandoned recreational vessels and navigation hazards from California's navigable waterways.

This past summer the Port's Maritime Department requested a grant and subsequently received a letter of approval and contract number 12-214-513 for $50,000 in grant funds from the California Department of Boating & Waterways Abandoned Watercraft Abatement Fund. This grant request was based on cost estimates from marine salvage contractors for the removal and demolition of abandoned vessels on Port property. All funds from this grant must be expended no later than July 31, 2013. This grant program requires 10% in matching funds from the Port.

Removal of abandoned watercraft not only beautifies San Francisco's waterfront, but also greatly improves boating safety by reducing navigational hazards and reduces potential environmental dangers.

**THIS PRINT COVERS CALENDAR ITEM NO. 8C**

**Port Commission Action**

In order to distribute the approved grant funds, the Department of Boating and Waterways requires a San Francisco Port Commission resolution authorizing the Port of San Francisco to enter into and execute this contract, with an agreement to indemnify the State of California, its officers, agents and employees from any and all claims that arise in connection with the performance of the proposed grant agreement.

Port staff seeks Port Commission authorization for the Executive Director to accept and expend $50,000 in grant funds from the Department of Boating and Waterways.

Prepared by: Joseph Reilly, Wharfinger, Maritime Division

For: Peter Dailey, Deputy Director, Maritime Division

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-87**

WHEREAS, In October 1997, the state legislature enacted Senate Bill 172 (Rainey) which created the Abandoned Watercraft Abatement Fund, providing for a grant program available to public agencies for removal and demolition of abandoned recreational vessels from California navigable waterways; and

WHEREAS, Port staff have identified abandoned recreational vessels within the Port's jurisdiction that pose potential navigation and environmental hazards; and

WHEREAS, In the summer of 2012, the Port applied to the California Department of Boating and Waterways (DBW) for Abandoned Watercraft Abatement Fund grant funds for removal and demolition of abandoned derelict vessels; and

WHEREAS, On July 23, 2012, DBW awarded the Port $50,000 in grant funds from the Abandoned Watercraft Abatement Fund for this purpose; now, therefore, be it

RESOLVED, That the Port Commission hereby authorizes Port staff to accept and expend $50,000 in grant funds from DBW for removal and demolition of abandoned watercraft within the Port's jurisdictional area; and, be further it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director or her designee to execute any documents necessary for the purpose of obtaining and expending these grant funds, including any extensions, augmentations or amendments thereto in such form as approved by the City Attorney's office; and, be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director to execute a grant agreement for use of these grant funds, with such provision as may be required by the DBW, which obligates the Port to indemnify the State of California, its officers, agents and employees from any and all claims that arise in connection with the performance of the proposed grant agreement and, be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director to seek Board of Supervisors' approval to accept and expend these grant funds.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 13, 2012.***

_____
Secretary

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO**: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. William Adams
Hon. Leslie Katz

**FROM**: Monique Moyer
Executive Director

**SUBJECT**: Request authorization to Accept and Expend a $20,000 grant from the California Department of Boating & Waterways Vessel Turn-In Program to allow for removal, storage and disposal of eligible surrendered vessels within the Port of San Francisco

**DIRECTOR'S RECOMMENDATION**: Approve Attached Resolution

## Executive Summary

Statewide, the disposal of abandon watercraft has been an ongoing issue. Many recreational boats are abandoned by their owners in public waterways creating navigational and environmental hazards.

The State of California has, through statute, created programs aimed at helping local public agencies such as ports and marinas to deal with this problem. One such program was established by Assembly Bill 166 (Chapter 416, Statutes 2009), which amended the Harbors and Navigation Code to provide grants to public local agencies to administer a turn-in program in their jurisdiction. Funding for the Vessel Turn-In program comes from the State's Abandoned Watercraft Abatement Fund but is managed separately from that existing program and receives separate budget authority.

The Vessel Turn–In program provides an alternative for boat owners to surrender an unwanted vessel to participating agencies in lieu of abandonment.

This past summer, the Port's Maritime Department requested participation in this program and received a letter of approval and contract number 12-214-527 for $20,000 in grant funds from the California Department of Boating & Waterways Vessel Turn-In Program.

**THIS PRINT COVERS CALENDAR ITEM NO. 8D**

## Port Commission Action

In order to receive the approved grant funds, the Department of Boating and Waterways requires a San Francisco Port Commission action authorizing the Port of San Francisco to enter into and execute this contract, with an agreement to indemnify the State of California, its officers, agents and employees from any and all claims that arise in connection with the performance of the proposed grant agreement.

Removal of abandoned watercraft not only beautifies San Francisco's waterfront, but also greatly improves boating safety by reducing navigational hazards and reduces potential environmental dangers.

Port staff seeks Port Commission authorization for the Executive Director to accept and expend $20,000 in grant funds from the Department of Boating and Waterways Vessel Turn-In Program.

Prepared by: Joseph Reilly, Wharfinger, Maritime Division

For: Peter Dailey, Deputy Director, Maritime Division

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-88**

WHEREAS, In 2009, the California legislature passed and the Governor approved Assembly Bill 166 (Chapter 416, Statutes 2009), which authorizes the Department of Boating and Waterways to utilize the state's Abandoned Watercraft Abatement Fund (AWAF) to award grant funds to local public agencies for disposal of surrendered recreational maritime vessels that pose a risk or environmental degradation or a hazard to navigation; and

WHEREAS, Under Assembly Bill 166, the Department of Boating and Waterways has implemented a Vessel Turn-In Program (VTIP) to allow vessel owners to turn in their vessels to local public agencies in lieu of abandonment; and

WHEREAS, The VTIP allows local public agencies to apply for grant funds to administer a turn-in program in their jurisdictions, with funding from the AWAF, but separate from the existing AWAF program and subject to separate budget authority; and

WHEREAS, Port staff have identified abandoned recreational vessels within the Port's jurisdiction that pose potential navigation and environmental hazards; and

WHEREAS, In the summer of 2012, the Port applied to the California Department of Boating and Waterways (DBW) for Vessel Turn-In Program funds for removal and demolition of eligible surrendered vessels; and

WHEREAS, On July 23, 2012, DBW awarded the Port $20,000 in grant funds for this purpose; now, therefore, be it

RESOLVED, That the Port Commission hereby authorizes Port staff to accept and expend $20,000 in grant funds from DBW for removal and demolition of eligible surrendered watercraft within the Port's jurisdictional area; and, be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director or her designee to execute any documents necessary for the purpose of obtaining and expending these grant funds, including any extensions, augmentations or amendments thereto in such form as approved by the City Attorney's office; and, be it further

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Informational presentation regarding the Fiscal Feasibility Report for the San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330 and Request Approval of a First Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

## Introduction

GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors") wishes to build a multi-purpose event venue with seating capacity of 17,500 and related facilities (the "Project") on Piers 30-32 (the "Waterfront Site") and Seawall Lot 330 (the "Seawall Lot Site").

Attached to this memorandum as Exhibit A is a report from Economic and Planning Systems, Inc. dated October 22, 2012 that provides a basis for the San Francisco Board of Supervisors ("Board of Supervisors") to find the Project fiscally feasible pursuant to the San Francisco Administrative Code Section 29.2, thereby permitting GSW and the Port to submit an application to the San Francisco Planning Department to commence environmental review of the Project pursuant to the California Environmental Quality Act ("CEQA").

As further described in this memorandum, City staff recommend proceeding with environmental review as quickly as possible, in order to allow the maximum time for this

**THIS PRINT COVERS CALENDAR ITEM NO. 9A**

review that can be afforded under a Project schedule that contemplates opening the facility in time for the 2017 basketball season.

The attached EPS report includes a conceptual framework for proposed Project business terms that are currently being discussed by City staff and GSW, but City staff recommends deferring a request for the Port Commission and the Board of Supervisors to endorse a Project term sheet ("Term Sheet") until early 2013 in order to allow the parties to develop the business terms further and refine associated supporting documentation, including but not limited to further engineering analysis of Project costs.

Port staff recommends adoption of the attached resolution amending the Exclusive Negotiating Agreement ("ENA") between the City and GSW.

**Background**

From June 12 through August 23, 2012, the Board of Supervisors and the Port Commission ("Port") have adopted a series of resolutions related to the Project:

- finding that a potential real estate transaction with GSW to rehabilitate Piers 30-32 and develop the Project would generate substantial public benefits for the City, including its Port;

- finding that the Project is exempt from the City's competitive bidding policy set forth in Administrative Code Section 2.6-1 and endorsing sole source negotiations with GSW;

- urging that the proposed Project is designed with maximum public input and urging the Office of Economic and Workforce Development ("OEWD") and the Port to work closely with the State Lands Commission and the San Francisco Bay Conservation and Development Commission; and

- urging the Port Commission to form a project-specific Citizens Advisory Committee (the "CAC") to review and provide input on the proposed Project, with representatives from neighborhoods surrounding Piers 30-32 as well as others with specified policy expertise.

On August 14, 2012, the Port Commission adopted Resolution 12-61, authorizing the Executive Director or her designee to execute the ENA, and the Port and GSW executed the ENA as of August 15, 2012.

**Project Description**

GSW proposes to create a new regional serving waterfront attraction in San Francisco on Piers 30-32 that will include a 17,000-19,000 seat multi-purpose venue, public open space, maritime uses, and regional visitor-serving retail, restaurants and entertainment. The privately financed multi-purpose venue would host the Bay Area's National Basketball Association ("NBA") basketball team, the Golden State Warriors, during the NBA season as well as provide a year-round venue for a variety of other uses,

including, but not limited to, concerts, cultural events, family shows, and conferences/ conventions. The multi-purpose venue would be located with convenient access to public transit options, including San Francisco Municipal Railway ("Muni"), Bay Area Rapid Transit (BART), CalTrain, ferry service, and pedestrian/bicycle routes. The project would include substantial repair and structural upgrades to the currently underutilized and deteriorating Piers 30-32. Table 1 provides approximate square footage estimates for elements of the proposed use program for Piers 30-32 at this early stage of conceptual design.

The Project description will be further refined as GSW conducts additional due diligence, in anticipation of the publication of a Notice of Preparation of an Environmental Impact Report, expected later this fall.

**Table 1: Piers 30–32 Project Characteristics Summary**

| Project Component | Characteristic |
|---|---|
| Multi-Purpose Venue Seating Capacity | 17,000 – 19,000 seats |
| Size | |
| Multi-Purpose Venue | 700,000 Gross Square Feet ("GSF") |
| Retail | 105,000 GSF |
| Practice Facility & Training Areas | 21,000 GSF |
| Community Room | 10,000 GSF |
| Event Management & Team Operations | 40,000 GSF |
| Parking | 275,000 GSF |
| Total Building Area (GSF) | **1,151,000 GSF** |
| Height/Levels | |
| Multi-Purpose Venue Maximum Height | 135 feet |
| Retail Maximum Height/Levels *(or range of heights/levels)* | 60 feet/ 3 Levels |
| Parking Height/Levels*(or range of heights/levels)* | 40 feet / 3 levels |
| Parking Spaces | 630 |
| Vehicular Access | at The Embarcadero/Bryant Street |
| Open Space | minimum 50% GSF of site |
| Red's Java House (existing) | retained in place or incorporated into design |
| Maritime Uses | north side: SFFD fire boat facility; ferry stop, boat docking<br>east side: berthing for boats, including periodic, temporary berthing for deep draft vessels (subject to further financial feasibility analysis)<br>south side: Recreational water sports access, public kayak launch area, guest docks; water taxi stop |

In conjunction with the development of Piers 30-32, GSW also proposes to develop Seawall Lot 330, across The Embarcadero from Piers 30-32, with mixed-use development. Table 2 provides approximate square footage estimates for elements of the proposed use program for Seawall Lot 330 at this early stage of conceptual design.

**Table 2: Seawall lot 330 Project Characteristics Summary**

| Project Component | Characteristic |
|---|---|
| Size | |
| Residential | 140,000 – 160,000 GSF (100 – 130 units) |
| Retail | 33,000 – 34,000 GSF |
| Hotel | 140,000 - 160,000 GSF (200 – 250 rooms) |
| Parking | 105,000 GSF |
| Total Building Area (GSF) | **418,000 - 459,000 GSF** |
| Height/Levels | |
| Residential Maximum Height/Levels | 150 feet/ 14 Levels |
| Retail Maximum Height/Levels *(or range of heights/levels)* | 15 feet/ 1 Level |
| Parking Maximum Height/Levels | 45 feet / 3 levels |
| Parking | 195 - 300 parking spaces |
| Vehicular Access | at Bryant Street and Beale Streets |

## Independent Appraisal

The Port retained an independent appraisal firm, Carneghi-Blum & Partners, Inc., to appraise the fair market value of a ground lease of the Waterfront Site and the fair market value of a sale, or alternatively, a ground lease of the Seawall Lot Site, and a copy of that appraisal, "Appraisal of Seawall Lot 330, Piers 30-32, San Francisco, California" has been submitted to the Clerk of the Board of Supervisors and the Board of Supervisors Budget Analyst.

City and Port staff worked with staff of the California State Lands Commission to prepare mutually agreeable appraisal instructions. The appraisal is currently undergoing review by State Lands Commission staff. By law, the Seawall Lot 330 portion of the appraisal must be approved by the Commission before the property can be sold.

The appraisal found that the fee sale value of Seawall Lot 330 is $30,400,000 and that the annual rent for Piers 30-32 should be set at $1,970,000 per year, with CPI rent increases and market adjustments after 20 or 30 years. When the State Lands Commission staff completes its review of the appraisal, City staff will ask the Port Commission to consider accepting the appraisal, likely in concert with its consideration of the Term Sheet.

## Conceptual Framework

The parties have negotiated a preliminary financial framework for the proposed business deal ("Conceptual Framework") based on the appraisal and GSW's preliminary $120 million estimate of construction costs for the substructure and related improvements required to make Piers 30-32 useable for the Project. The Conceptual Framework is designed to support the fiscal feasibility analysis and guide further negotiations which will culminate in a Term Sheet that City staff will submit for Port Commission and Board of Supervisors review and approval. Term Sheet negotiations are expected to conclude in late 2012, allowing for review of the Term Sheet by the Port Commission, the Board of Supervisors and the public commencing in early 2013.

The following are the high-level terms of the current Conceptual Framework:

| Provision | Summary of Principles and Terms |
|---|---|
| Parties | Port: City and County of San Francisco (the "City"), acting by and through its Port Commission.<br>GSW: GSW Arena LLC, a Delaware limited liability company (or an affiliate). GSW Arena LLC is a wholly owned subsidiary of GSW Sports LLC. Golden State Warriors, LLC (the "Team Owner") is also a wholly owned subsidiary of GSW Sports LLC. The Team Owner owns and operates the "Golden State Warriors" NBA franchise. |
| Site | The Site consists of these two properties:<br>The Waterfront Site: Piers 30-32, consisting of an approximately 553,778 square foot (about 13 acre) pile-supported structure along the Embarcadero roadway.<br>The Seawall Lot Site: Approximately 101,330 square foot (about 2.3 acre) portion of Seawall Lot 330 that fronts the Embarcadero roadway and is bounded by Beale and Bryant Streets. |
| Project Description | As previously described in this memorandum. |
| Transaction Documents | The parties anticipate that the primary Transaction Documents will consist of:<br>• a Disposition and Development Agreement<br>• a Ground Lease<br>• a Purchase and Sale Agreement for the Seawall Lot Site (or Ground Lease, if conditions to sale are not feasible)<br>• a Sublease between GSW and the Team Owner, for use of the multi-purpose venue<br>• Such other appropriate agreements as the parties may negotiate through the ENA process, which may include an agreement between GSW and SF Travel governing convention use of the event venue at the Waterfront Site. |
| Financial Responsibility for Construction | GSW will construct all Site improvements for the Project at no cost to the City, including its Port, subject to reimbursement for pier substructure improvement costs.<br><br>Reimbursement for Pier Substructure Costs: GSW will be reimbursed for its actual and verifiable costs of seismically retrofitting and rehabilitating the piers, and of removing any fill, up to $120,000,000, plus a 13% annual cost return. Such reimbursement will be made through three sources of funds:<br>(1) Piers 30-32 rent credits<br>(2) the Seawall Lot purchase credit; and<br>(3) proceeds of net available property tax increment generated from the Site<br><br>Possible Reimbursement for Additional Waterfront Infrastructure Costs: If the Pier Substructure Costs turn out to be less than $120,000,000, then GSW may receive an additional reimbursement from net available tax increment for actual and verifiable costs up to a total of $120,000,000 for waterfront public access and maritime improvements |

| Provision | Summary of Principles and Terms |
|---|---|
| | that are regulatory requirements.<br><br>Possible Reimbursement for City Facilities: Also, GSW may construct other mutually agreed-upon public improvements on the Waterfront Site, such as a facility for berthing the fireboats, subject to applicable City contracting requirements and reimbursement to GSW for the cost of building these improvements. |
| Waterfront Site Ground Lease | Base Rent: GSW will pay the Port fair market rent, based on the appraised value of $1,970,000 per year, with CPI and/or other market adjustments to rent to be negotiated, and subject to the rent credits and construction period rent of $1,060,000 per year, also subject to rent credits.<br><br>Rent Credits: GSW will receive credits against rent due under the Ground Lease, including base rent (including construction period rent) and any participation rent as described below until GSW is reimbursed for agreed costs.<br><br>Participation Rent: In addition to base rent, GSW will pay to the Port participation rent based on an agreed-upon percentage of net revenues from specified Project sources and uses. Similarly, GSW will pay the Port participation rent based on an agreed-upon percentage of net proceeds of sale arising from non-affiliate transfers and refinancings.<br><br>Triple Net: The Ground Lease will be triple net, with GSW responsible for all taxes, assessments, and expenses. GSW will be responsible for operating, maintaining and repairing all Project facilities on the Waterfront Site. |
| Seawall Lot Site Conveyance | Purchase Price: The Port will convey the Seawall Lot Site for its appraised fair market value of $30,400,000, subject to a mutually agreed-upon CPI adjustment at the time of the closing.<br><br>Credit for Purchase Price Against Waterfront Site Rent: In lieu of paying cash to the Port to acquire the Seawall Lot Site, GSW may apply the purchase price as a credit against the Pier Substructure Costs, on terms satisfactory to the parties and in compliance with any applicable state statutory requirements for conveyance, including SB 815 and AB 418.<br><br>Transfer Fees: The Purchase and Sale Agreement will require GSW to record a transfer fee covenant against the Seawall Lot Site (binding on GSW and all successors) that will provide the Port with a recurring transfer fee of 1.0% on the net proceeds from (i) sales of individual residential condominium units after (but not including) the first sale, and (ii) sales or other conveyances to non-affiliates of any commercial condominium parcels after (but not including) the first sale. |
| Infrastructure Financing District (IFD) | Subject to required approvals to form an IFD that includes the Site, the City will pledge net available property tax increment to GSW on a pay-as-you-go basis, or through the issuance of bonds or other debt, on terms and conditions as the parties may negotiate |

| Provision | Summary of Principles and Terms |
|---|---|
| | consistent with the following principles:<br>• No increment from other Port property in any Port-wide IFD will be imported to pay for Project infrastructure;<br>• The Transaction Documents will include appropriate assurances relating to payment of property taxes that support IFD bonds that may be issued for the Project; and<br>• The parties will explore establishing a Mello-Roos Communities Facilities District ("CFD") comprising the Site to finance the Pier Substructure Costs and City Facilities. |
| Contribution of Funds to Pay for Quality of Life Services | The parties will explore incorporating into the Term Sheet one or more mutually agreeable financing mechanisms to fund City costs associated with neighborhood quality of life improvement measures to address effects from use of the multi-purpose venue. Such improvement measures may include sidewalk cleaning and litter abatement, installing wayfinding signs, providing traffic and parking control and enhanced security services, etc. |
| Development Impact Fees | GSW will pay to the City all applicable development impact fees relating to developing the Project. The parties will explore allowing GSW to defer paying applicable development impact fees until issuance of a certificate of occupancy. |

## Fiscal Feasibility

Section 29.2 of the San Francisco Administrative Code lists five criteria to evaluate the fiscal feasibility of a project:

1. Direct and indirect financial benefits of the project, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;
2. The cost of construction;
3. Available funding for the project;
4. The long term operating and maintenance cost of the project; and
5. Debt load to be carried by the City department or agency.

The EPS report attached as Exhibit A examines each of these five issues in sufficient detail to support a Board of Supervisors finding of fiscal feasibility under Chapter 29.

## ENA Amendment and Recommendation

The ENA provides that the parties will negotiate a non-binding Term Sheet to be endorsed by the Port Commission and the Board of Supervisors to serve as a summary of the general terms for negotiating the Transaction Documents. The Performance Benchmarks in the ENA contemplate that the Board of Supervisors would endorse the Term Sheet at the same time it makes a fiscal feasibility determination for the Project under Chapter 29 of the San Francisco Administrative Code ("Chapter 29").

To allow for the maximum feasible time for environmental review of the Project pursuant to the California Environmental Quality Act ("CEQA"), City staff is recommending adoption of a finding of fiscal feasibility pursuant to Chapter 29.2 in November, thus permitting the Project to initiate CEQA review in late 2012. City staff recommends deferring consideration and approval of the Term Sheet by the Port Commission and the Board of Supervisors until early 2013.This revised schedule will permit the parties to pursue a proforma-based negotiation to finalize the proposed Term Sheet and to review proposed substructure and other costs that are or may be eligible for reimbursement under the Conceptual Framework.

The attached resolution authorizes the parties to amend the ENA to: 1) add a new Performance Benchmark for negotiation of a non-binding conceptual framework that serves as the basis for the Board of Supervisors' fiscal feasibility determination under Chapter 29; and 2) extend the Target Dates and the Performance Dates for the Performance Benchmarks relating to the Port Commission's and the Board Supervisors' endorsement of the Term Sheet. The resolution authorizes the Executive Director or her designee to execute the resulting First Amendment to the Exclusive Negotiation Agreement ("First Amendment") in a form approved by the City Attorney. Port staff recommends approval of the resolution.

## Next Steps

City staff has requested that the Board of Supervisors consider adoption of a resolution finding the Piers 30-32 and Seawall Lot 330 Project fiscally feasible pursuant to Chapter 29.2. The resolution is scheduled for consideration at the Budget and Finance Committee on November 14, 2012.

If the Port Commission approves the attached resolution, the parties will continue to negotiate a Term Sheet, for review and possible approval by the Port Commission and the Board of Supervisors in early 2013.

| | |
|---|---|
| Prepared by: | Brad Benson, Special Projects Manager |
| For: | Jennifer Matz, Director of Waterfront Development, Office of Economic and Workforce Development<br>Monique Moyer, Executive Director<br>Byron Rhett, Deputy Director of Planning and Development |

**Exhibit A.** October 22, 2012 Report – San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330 – Findings of Fiscal Responsibility and Feasibility, Economic Planning Systems, Inc.

**Appendix A**: Fiscal Analysis
**Appendix B**: Economic Analysis
**Appendix C**: Conceptual Framework
**Appendix D**: September 28, 2012 Carneghie-Blum Appraisal of Piers 30-32 and Seawall Lot 330

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-89**

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, The City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street ("Piers 30-32") and approximately 2.3 acres of undeveloped land at Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets ("SWL 330") (together, Piers 30-32 and SWL 330 are referred to in this resolution as the "Site"); and

WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), proposes to build, finance and operate a development project consisting of two related components on the Site; and

WHEREAS, The first part of the proposed project involves GSW's seismic upgrade and rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for approximately 17,000 to 19,000 persons, useable for public assembly uses and other events, including, but not limited to, conventions, Warriors home games, cultural events, family shows and performing arts, along with public open space, maritime use, visitor-serving retail and related parking facilities, on the Waterfront Site; GSW would finance, build and operate these improvements under a fair market rent ground lease from the Port, and expects to complete them by the Fall of 2017; and

WHEREAS, The second part of the proposed project includes GSW's construction of improvements with residential, hotel, and/or retail uses and accessory parking on the Seawall Lot Site. The Port would convey fee title to the Seawall Lot Site to GSW for fair market value consideration if certain conditions are met; otherwise, the Port would enter into a ground lease with GSW for fair market rent consideration for the Seawall Lot Site. Both components of the proposed project are collectively referred to in this resolution as the "Project"; and

WHEREAS, On May 29, 2012, the Port Commission adopted Resolution No. 12-48, designating the Office of Economic and Workforce Development

("OEWD") as the lead negotiator for the proposed Project, among other designated projects, to act in coordination with Port staff and at the direction of the Port Commission; and

WHEREAS, On June 12, 2012, the Board of Supervisors adopted Resolution 236-12: 1) finding that the potential real estate transaction involving the Project would generate substantial public benefits and is exempt from the competitive bidding policy set forth in Administrative Code Section 2.6-1; 2) endorsing the Port Commission's designation of OEWD as the lead negotiator; 3) endorsing sole source negotiations with GSW for that purpose; 4) requiring OEWD and the Port to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 5) urging OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and the San Francisco Bay Conservation and Development Commission, to develop the project description; and 6) taking other related actions; and

WHEREAS, On June 12, 2012, the Port Commission adopted Resolution 12-50: 1) endorsing sole source negotiations by City and Port staff with GSW for the proposed Project at the Site; 2) authorizing staff to negotiate an Exclusive Negotiation Agreement ("ENA") with GSW for the proposed Project; and 3) taking other related actions; and

WHEREAS, On August 14, 2012, the Port Commission adopted Resolution 12-61, authorizing the Executive Director or her designee to execute the ENA, and the Port and GSW executed the ENA as of August 15, 2012; and

WHEREAS, The ENA provides for Performance Benchmarks that GSW is required to complete during the Exclusive Negotiation Period, and describes the process, terms, and conditions upon which OEWD, the Port and GSW will negotiate a lease disposition and development agreement, one or more long-term leases, a purchase and sale agreement, and other related documents required for the Project described in the ENA (collectively, the "Transaction Documents"); and

WHEREAS, The ENA provides that the parties will negotiate a non-binding Term Sheet to be endorsed by the Port Commission and the Board of Supervisors to serve as a summary of the general terms for negotiating the Transaction Documents, and the Performance Benchmarks in the ENA contemplate that the Board of Supervisors would endorse the Term Sheet at the same time it makes a fiscal feasibility determination for the Project under Chapter 29 of the San Francisco Administrative Code ("Chapter 29"); and

WHEREAS, In order to allow for maximum public input regarding the proposed Project, the parties desire to amend the ENA to: 1) add a new

Performance Benchmark for negotiation of a non-binding conceptual framework that describes the financial terms of the proposed Project and serves as the basis for the Board of Supervisors' fiscal feasibility determination under Chapter 29; and 2) extend the Target Dates and the Performance Dates for the Performance Benchmarks relating to the Port Commission's and the Board Supervisors' endorsement of the Term Sheet; now, therefore be it

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the First Amendment to the Exclusive Negotiation Agreement ("First Amendment") and any additions, amendments or other modifications thereto that are necessary and advisable to complete the First Amendment consistent with the terms and conditions set forth in the Staff Memorandum and in a form approved by the City Attorney; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with GSW are unsuccessful and do not lead to approval of the Transaction Documents, to undertake other efforts, which may include determining no project will be pursued, selecting a developer by any other means, and issuing a new development solicitation at the Port Commission's sole discretion; and be it further

RESOLVED, That approval of the First Amendment does not commit the Port Commission to approval of the Transaction Documents, and that the Port Commission shall not take any discretionary actions committing it to the proposed Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 13, 2012.***

_____

Secretary

The Economics of Land Use

**Report**

# San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330

## Findings of Fiscal Responsibility and Feasibility

Prepared for:

The City and County of San Francisco

Prepared by:

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October 22, 2012

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# *EXECUTIVE SUMMARY*

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors make findings of fiscal feasibility for certain development projects before the City's Planning Department may begin California Environmental Quality Act (CEQA) review of the proposed project. Chapter 29 requires consideration of five factors: (1) Direct and indirect financial benefits of the project, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project; (2) The cost of construction; (3) Available funding for the project; (4) The long term operating and maintenance cost of the project; and (5) Debt load to be carried by the City department or agency.

This report provides information under for the Board's consideration in evaluating the fiscal feasibility of a proposed development by the Golden State Warriors (GSW) on Piers 30-32 and Seawall Lot 330 (SWL 330), collectively referred to as the "Project." A more detailed description of the Project is provided in **SECTION 1.**

**(1) Financial Benefits**. The Project will provide a range of direct and indirect benefits to the Port and the City. Additional details and analysis on the financial benefits of the Project are provided in **SECTION 2** below.

**a. Fiscal Benefits to the City and Port**. Development of Piers 30-32 and SWL 330 will provide new, ongoing, and one-time revenues to the City and Port. Ongoing revenues to the City include new tax receipts from Property, Possessory, Sales, Parking, Hotel, Business (Payroll or Gross Receipts), and, if applicable, Stadium Tax. Additionally, the Port will receive ongoing revenue from a Transfer Fee, assessed on the future sale of residential units. Based on the proposed development, these on-going revenues are currently estimated to amount to $19 million in annual revenue to the City.

The City will also receive one-time fiscal benefits from Development Impact Fees (Jobs Housing Linkage, Affordable Housing, Child Care, Transportation Impact Development Fee, and Eastern Neighborhood Impact Fees) as well as revenue associated with construction of the Project and the initial sale of residential units. These one-time revenues are estimated to be $53.8 million.

**b. Economic Benefits to the City**. Economic impacts describe the benefits of the Project to the City's overall economy.

New economic activity created by the construction of the Project is projected to create approximately 5,000 full time job equivalents and the Project itself is projected to create 2,800 permanent jobs in San Francisco.

The Project as proposed will also bring over 2 million visitors to the waterfront site annually, of which 1.4 million will reside outside San Francisco. The economic impact of these visitors amounts to over $80 million annually due to visitor spending throughout the City.

c. **Direct Financial Benefits to the Port**. GSW will pay fair market rent for Piers 30-32 and fair market price for the purchase of SWL 330. The Port will provide credits against rent and the purchase price to reimburse GSW for pier substructure costs. The Port will also receive participation rent from GSW from specified Project sources. Additionally, the Project relieves the Port of performing ongoing maintenance and capital repairs on Piers 30-32.

d. **Direct Benefits to the City**. The proposed Project will include several public benefits, including over 7 acres of new, public open space along the Embarcadero. The Project will also include a diverse range of maritime facilities and may include a new Fire Boat Station.

Additional details and analysis on the financial and economic benefits of the Project are provided in **SECTION 2** below.

**(2) Cost of Construction.** The Project as currently proposed will cost approximately $1 billion to construct. This cost estimate includes the $120 million cost of rehabilitating Piers 30-32 as well as the cost of improvements on both the Piers and SWL 330, laid out in further detail in **SECTION 3**.

**(3) Available Funding for the Project.** As described in further detail in the Conceptual Framework, GSW will provide initial financing for the rehabilitation of Piers 30-32, which will remain in City ownership, at an estimated cost of $120 million. The City will reimburse GSW for the cost of the rehabilitation, up to $120 million. Funding for the reimbursement of this work is limited to three sources: (1) rent credits from the fair market lease of Piers 30-32; (2) fair market sale (or lease) revenues from SWL 330; and (3) revenues, from an Infrastructure Financing District (IFD) on Piers 30-32 and SWL 330. Additional information is provided in **SECTION 4.**

**(4) Long-Term Operating and Maintenance Costs.** GSW will be responsible for operations and maintenance on both Piers 30-32 and SWL 330, including all public improvements such as maintenance of Piers 30-32 for the term of the ground lease and all public open space. Outside of the Project area, City departments, including Police, Municipal Transportation Agency (SFMTA), and the Department of Public Works, will have increased service responsibilities. **SECTION 5** of this report provides additional information about the anticipated additional demands for services associated with the Project. The cost estimates associated with providing these services will be provided through the course of the California Environmental Quality Act (CEQA) review of the Project.

**(5) Debt Load to be Carried by the City or the Port.** As described in further detail in the Conceptual Framework, the Project proposes to use revenue generated by an IFD to fund the rehabilitation of Piers 30-32. Revenue estimates presented in **SECTION 6** project IFD proceeds of up to $5.8 million annually, which could support up to $60 million in bond proceeds or $1 million per year in "pay as you go" funding.

# 1. INTRODUCTION

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors review certain development projects before the City's Planning Department may begin California Environmental Quality Act (CEQA) review of the proposed project. In particular, the Board of Supervisors must make a determination of the fiscal feasibility when the plan for a proposed projects exceeds $25 million in construction cost, and where at least $1.0 million of the cost is paid by certain public monies, including rent credits, is fiscally feasible and responsible.

This report provides information under Chapter 29, subsection Sec. 29.2, for the Board's consideration in evaluating the feasibility of a proposed development by the Golden State Warriors (GSW) on Piers 30-32 and Seawall Lot 330 (SWL 330), collectively referred to as the Project. Section 29.2 of the San Francisco Administrative Code lists five criteria to evaluate the fiscal feasibility of a project:

(1) Direct and indirect financial benefits of the project, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;
(2) The cost of construction;
(3) Available funding for the project;
(4) The long term operating and maintenance cost of the project; and
(5) Debt load to be carried by the City department or agency.

Each of these criteria is discussed in the following chapters.

The current Project includes construction of a multi-purpose venue and retail uses, GSW practice facility and offices, parking, open space and maritime uses on Piers 30-32. On SWL 330 the preliminary plan includes development of a mix of residential and hotel uses, retail and parking.

Central to this analysis is the Conceptual Framework. The Conceptual Framework is a non-binding document between the City and GSW, which outlines certain basic business terms of the Proposed Project. The Conceptual Framework addresses:

(1) Reimbursement to GSW for substructure rehabilitation of Piers 30-32
(2) Rent and other basic financial Lease terms for Piers 30-32
(3) Sales price and other basic financial terms for SWL 330
(4) Potential use of Infrastructure Financing District (IFD)
(5) Development Impact Fees

A copy of the Conceptual Framework is attached as **APPENDIX C**.

As presented in the Conceptual Framework, no public monies will be used to fund any portion of the multi-purpose venue or any other structure. The rehabilitation of Piers 30-32 will also be privately financed by GSW. The City will reimburse GSW for the infrastructure improvements to the Pier, which will remain in City ownership, up to $120 million with a 13 percent annual return on costs. Funds for reimbursing GSW for providing infrastructure improvements to the Pier are limited to three sources: (1) rent credits from GSW's fair market value lease of Piers 30-32; (2)

conveyance of SWL 330 at its appraised fair market value; and (3) net available property tax revenue generated by the Project from the development site, under an IFD.

The evaluation of fiscal feasibility, including financial benefits to the City and its Port, is preliminary, based on the early stage of the Project. The information is subject to change as the project description is revised through the public review process and through negotiation of a term sheet and final transaction documents.

## Proposed Development

The proposed Project includes two related components on separate Port parcels. Piers 30-32 consist of an approximately 553,778-square foot (about 13 acres) pile-supported structure along the Embarcadero roadway. The proposed Project involves GSW's rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for 17,000 to 19,000 persons, capable of being used as an event venue and for other public assembly uses, including conventions, Golden State Warriors' home games, performing arts, and other purposes, along with public open space (at least 50 percent of Piers 30-32), waterfront access improvements, parking facilities (630 parking spaces), visitor-serving retail and restaurants (105,000 square feet), maritime access, and other related uses. The current analysis evaluates a program of 17,500 seats venue. GSW also plans to build a team practice facility (21,000 square feet), plus a community room (10,000 square feet) and event management and team operations space (40,000 square feet) on Piers 30-32. GSW will finance and build these improvements under a fair market rent ground lease from the Port, and complete them by the fall 2017.

Across the Embarcadero roadway from Piers 30-32, between Beale and Bryant Streets, is SWL 330, which is approximately 101,330 square feet (about 2.3 acres). The proposed Project includes GSW's construction of improvements on the undeveloped portion of SWL 330. The Port will convey fee title to SWL 330 to GSW for fair market value consideration if certain conditions are met; otherwise, the Port will enter into a 75 year ground lease with GSW for the appraised fair market rent consideration for that site.

GSW plans to build retail (33,000 to 34,000 square feet), parking (200 to 300 spaces), residential units (100 to 130 units) and a hotel (200 to 250 rooms) on SWL 330. The current analysis evaluates a program that falls within those ranges, and includes 34,000 square feet of retail, 200 parking spaces, 125 residential units, and a 200-room hotel. The range of uses will be further evaluated in future analysis.

# 2. *Financial Benefits*

The Project will generate a range of tax revenues that are summarized in **Tables 1** and **2**. These revenues will help to fund services to the Project area, as well as Port and Citywide services and facilities. This chapter also describes other economic benefits from the Project, including increased economic activity in the City and the creation of new jobs summarized in **Table 3**. Key assumptions and calculations of fiscal benefits are shown in **Appendix A;** economic impact calculations are in **Appendix B**. The financial estimates are based on a development scenario that falls within the ranges proposed by GSW; actual results will vary depending on the final program, as well as fiscal and economic conditions at the time the Project is completed and open.

## a. Fiscal Benefits to the City and the Port

The Project will generate a range of new tax revenues to the City. These revenues include ongoing annual revenues, as well as one-time revenues as summarized in **Table 1** and **Table 2**, respectively. These revenues will be available to help fund public improvements and services both to the Project and to Port facilities and property, and services benefiting residents and businesses Citywide.

## Table 1 Fiscal Results Summary – Ongoing Revenues

| Item | Total |
|---|---|
| **Annual General Revenue** | |
| Property Tax / Possessory Interest (1) | $5,061,000 |
| Property Tax in Lieu of VLF | $1,016,000 |
| Property Transfer Tax | $60,000 |
| Sales Tax (2) | $725,000 |
| Parking Tax (3) | $272,000 |
| Hotel/Motel Tax (4) | $1,479,000 |
| Stadium Admission Tax (5) | $2,824,000 |
| Payroll Tax: | |
| On-site | $1,382,000 |
| Off-site (6) | $26,000 |
| Indirect and Induced Impacts | $923,000 |
| Subtotal | $13,768,000 |
| **Annual Other Dedicated and Restricted Revenue** | |
| Hotel/Motel Tax (Cultural Programs) | $1,285,000 |
| Parking Tax (MTA 80%) | $1,087,000 |
| Stadium Admissions Tax (Recreation and Parks) (5) | $1,335,000 |
| Special Fund Property Taxes (Children's, Library, and Open Space) (1) | $716,000 |
| Public Safety Sales Tax | $362,000 |
| SF County Transportation Authority Sales Tax | $362,000 |
| Transfer Fees to the Port | $88,000 |
| Subtotal | $5,235,000 |
| **Total, General plus Other Dedicated and Restricted Revenues** | **$19,003,000** |

(1) The City and County's share of Property tax is 65% of total possessory interest tax, which absent an Infrastructure Financing District (IFD) (or Redevelopment Area), is divided between the General Fund (57%) and Special Funds (8%). A portion of the Property Tax revenues may be required to help fund the rehabilitation of Piers 30-32.

(2) Sales taxes generated in the Multi-Purpose Venue and new retail on Piers 30-32 and SWL 330.

(3) Includes parking tax revenue on- and off-site from visitors to Multi-Purpose Venue events.

(4) Hotel taxes are generated from preliminary estimates of potential overnight visitors, less deductions to account for: (1) visitors from outside the region who do not choose to book a hotel in San Francisco and (2) visitors from outside the region who booked a hotel in San Francisco for another purpose and would have booked that hotel with or without the development of the MPV. These two deductions total 50 percent of the estimate of potential overnight visitors.

(5) To the extent possible.

(6) Additional tax generated by the Multi-Purpose Venue visitors off-site from additional hotel and parking activity.

* Numbers have been rounded to the nearest thousand.

**Table 2 Fiscal Results Summary, One-Time Revenues**

| Item | Total |
|---|---|
| Development Impact Fees (1) | |
| Jobs Housing Linkage - §413 | $21,926,000 |
| Affordable Housing-- §415 | $8,362,000 |
| Child Care | $244,000 |
| TIDF - §411.3 | $12,808,000 |
| Eastern Neighborhoods - Infrastructure Fee - Tier 1 (§423.3) | $2,791,000 |
| Subtotal: Development Impact Fees | $46,131,000 |
| Sales Taxes During Construction | $4,062,000 |
| Payroll Tax During Construction | $3,047,000 |
| Property Transfer Tax from initial residential sales | $595,000 |
| Total One-Time Revenues | **$53,835,000** |

(1) Impact fee rates as of January 1, 2012. Fee estimates per San Francisco Planning Dept.
See Table A-4 for details on fee calculations.
* Numbers have been rounded to the nearest thousand.

## Property Taxes

Property tax based on 1 percent of value will be collected from the land and improvements on Piers 30-32 and SWL 330. The development on Piers 30-32 and SWL 330 (if remaining in public ownership but leased to private interests) will be charged a "possessory interest tax" in an amount equivalent to property tax. The City receives up to $0.65 of every property tax dollar collected; the balance goes to other agencies, including the Education Revenue Augmentation Fund, which provides funding for schools. The General Fund distributes $0.08 cents from its property tax revenue to other dedicated City purposes, including the Children's Fund, Library Fund, and Open Space Fund. The assessed value is assumed to grow at a 2 percent annual rate (or at CPI, whichever is less) as required by State law, unless a transaction occurs which would reset the assessed value to the transaction price, or depreciation negatively affects assessed value.

The Conceptual Framework proposes to use IFD revenues to help fund the rehabilitation of the substructure of Piers 30-32. This analysis assumes that the property tax available to the IFD would only include those net available property taxes derived directly from the Project itself. To the extent that IFD property taxes are not required for the funding of the substructure and other public improvements to Piers 30-32, excess IFD taxes would flow to the City's General Fund.

In addition to the value of the multi-purpose venue, buildings, and other improvements, the value of the land will be assessed and taxed. In the event of the sale of SWL 330, the SWL 330 land will be assessed at the transaction price; following development of buildings (and their sale, if applicable) the property would be re-assessed. In the case of a long-term ground lease, it is likely that the land would be assessed at the "present value" of the lease, which is essentially the value of the land as if it were sold subject to the conditions of the lease. The assessed values

would be determined by the City Assessor; the estimates shown in the analysis are preliminary and subject to revision.

The assessed value of the multi-purpose venue and public improvements built on the pier, including parking, are estimated in the current analysis based on construction costs (excluding "soft costs" such as entitlement costs, finance costs, profit, and design and engineering). The improvements to the substructure are included in the value of the ground lease of Piers 30-32; for purposes of analysis, the multi-purpose venue assessed value is assumed to include the value of the ground lease. The values of other new buildings are estimated based on the capitalized value of their net income stream. Unsecured property tax revenues are added to the estimates; the values shown are based on current GSW tax payments, and are likely to be higher in a new facility. It is likely that property taxes will also accrue during construction, depending on the timing and method of assessment and tax levy.

### Property Tax In-Lieu of Vehicle License Fees

Changes in the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based on a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth within each entity. To the extent that development of the pier and SWL 330 results in an increase in the City assessed value, these revenues are projected to increase proportionately.

### Sales Taxes

The City General Fund receives 1 percent of taxable sales, in addition to sales taxes for public safety and transportation purposes.

Sales taxes will be generated from several Project-related sources:

- Concession sales in the multi-purpose venue
- Sales at new retail and restaurant uses on Piers 30-32
- Taxable expenditures by new residents and visitors on SWL 330
- Sales outside the multi-purpose venue attributable to multi-purpose venue event attendees

Visiting basketball teams can generate a significant amount of commercial activity, including taxable expenditures and hotel revenues; however, nearly all of the Warriors opponents currently stay in San Francisco, therefore they will not represent a net increase in economic activity or public revenues.

In addition to the 1 percent sales tax received by every city and county in California, voter-approved local taxes dedicated to transportation purposes are collected. Two special districts, the San Francisco County Transportation Authority and the San Francisco Public Financing Authority (related to San Francisco Unified School District) also receive a portion of sales taxes (0.50 and 0.25 percent, respectively, in addition to the 1 percent local portion). The City also receives revenues from the State based on sales tax for the purpose of funding public safety-related expenditures.

### Sales Taxes from Construction

One-time revenues during the construction phases of the Project will be generated by sales and use tax on construction materials and fixtures. Sales tax would be allocated directly to the City and County of San Francisco.

### Transient Occupancy Tax (TOT)

Hotel Room Tax (also known as Transient Occupancy Tax, or TOT) will be generated by hotel occupancies generated by the Project. The City currently receives 14 percent of room charges. Approximately 53 percent of the Hotel Room Tax proceeds are allocated to the General Fund. The remainder is allocated to other special programs. The actual allocations may vary depending on future policy decisions by the Board of Supervisors.

TOT estimates are based on total room-nights generated by visitors from outside the region. The estimates assume a potential market demand based on visitors to the multi-purpose venue from outside of the Bay Area; this potential demand was reduced by 50 percent to account for a portion of demand that will choose not to stay overnight in San Francisco, and to account for a share of visitors already spending money at competing venues and staying in San Francisco. A new hotel is likely to capture a significant share of demand during events, and the balance of new demand would be distributed to other hotels in the City. The new hotel will also capture occupancies during other periods; however, these are not included in the analysis since they could represent a shift of occupancies from existing hotels.

### Parking Tax

The City collects tax on parking charges at garages and lots open to the public. The tax is 25 percent of the pre-tax parking charge. The SFMTA retains 80 percent of the parking tax revenue, the other 20 percent is available to the General Fund for allocation to special programs or purposes.

Although the proposed parking garage on Piers 30-32 will provide parking that is included in the cost of certain basketball season tickets, it is assumed that the equivalent parking tax would be charged for the value of the parking services provided.[1] Similarly, parking tax is assumed to be paid for the use of garage parking spaces by GSW staff and visiting teams, as well as other staff or performers at the multi-purpose venue.

Additional parking tax revenues would be generated by visitors to events at the multi-purpose venue and other uses on the piers. For purposes of this analysis, it is assumed that no more than 50 percent of multi-purpose venue event attendees would arrive by car.[2] Parking tax is based on total cars parking on-site and off-site generated by demand from the multi-purpose venue events. A detailed parking and transit analysis will be conducted as a part of further

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[1] Correspondence from the Treasurer-Tax Collector's Office, David Augustine to Jennifer Matz, 09/14/2012

[2] Survey of modal split of attendees at AT&T Park (MTA)

evaluations of the Project, which are likely to refine this assumption. The parking tax estimates deduct parking tax revenues currently generated on-site.

### Stadium Admissions Tax

Events at the multi-purpose venue may be subject to the current stadium admissions tax.[3] Currently, the San Francisco Giants pay a Stadium Tax of $0.25 a ticket for events at AT&T Park. The majority of events at the proposed multi-purpose venue would be subject to a higher tax rate of $2.25 ticket. To the extent the Stadium Tax applies to the Project, Stadium Tax receipts will be deposited into the City's General Fund. A portion is allocated to the Recreation and Park Department, the amount of which may vary depending on future policy decisions by the Board of Supervisors. The analysis applies the tax, assuming a mix of ticket prices, to all events except fixed fee rentals.

### Property Transfer Tax

The City collects a property transfer tax of $6.80 per $1,000 of transferred value on transactions up to $1 million, $7.50 per $1,000 on transactions up to $5 million, $20.00 per $1,000 on transactions from $5 million to $10 million, and $25.00 per $1,000 on transactions above $10 million.

The City will receive the tax from land transactions, sale of newly developed condominium units and commercial space, as well as the re-sale of units and commercial space. Ten percent of condominiums are assumed to sell every year after the initial sale of new units; this rate will vary year to year depending on economic conditions and average length of ownership by the occupants. During periods of strong real estate activity, rates of turnover could be much higher than assumed in the current analysis. Because of the infrequency of commercial sales, no transfer taxes are assumed from commercial properties.

### Payroll Tax/Gross Receipts Tax

The analysis estimates the additional payroll tax that would be generated by the new uses in the Project. The taxes apply to GSW players proportionate to the games played in the City. Payroll tax revenues from other types of businesses and activities are derived from employment and payroll estimates. A proposal to switch to a gross receipts tax in lieu of a payroll tax is on the ballot this November. The gross receipts taxes for the Project are estimated to be generally less than the amount of total taxes that would be paid by businesses at the Project under the current payroll tax system.

Additional taxes would be generated through indirect and induced economic activity; these were estimated and shown in the summary tables separately from direct tax revenues because of their secondary nature.

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[3] Correspondence from the Treasurer-Tax Collector's Office, David Augustine to Jennifer Matz, 09/14/2012

### Transfer Fees to the Port

Transfer fees are included in the Conceptual Framework as a means to fund Port activities and replace the loss of existing Port revenue from Piers 30-32 and SWL 330. These fees will be collected upon the sale of condominium units on SWL 330; the estimates shown assume that a 1.0 percent fee is collected after initial sale and all subsequent re-sales. The analysis assumes, similar to the calculation of transfer taxes, that 10 percent of the residential property sells annually (after the initial sale). This fee is separate and distinct from the current transfer taxes collected by the City. Depending on the magnitude of the fee relative to sales prices, there may be a minimal adverse impact on sales prices, assessed values and property tax revenues.

### One-Time Revenues

The City will collect a number of revenues that are not recurring, for example:

- Development Impact Fees (see below)
- Transfer taxes on the initial sale of condominium units; taxes from resales would be spread over multiple years, depending on rates of resale (see prior discussion)
- Sales taxes from the sale of construction materials

### Development Impact Fees

GSW will pay to the City all applicable development impact fees relating to developing the Project, according to the Conceptual Framework; the allocation of responsibility for any applicable mitigation and neighborhood improvement measures will take into account GSW's payment of those fees to avoid double-charging. The parties to the Conceptual Framework will explore deferral of applicable development impact fees, on terms and conditions consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013), in the context of negotiations over the Term Sheet and final transaction documents.[4]

Applicable City impact fees include:

- Jobs Housing Linkage (Planning Code Sec. 413) – a fee appropriate to the use and scale of the Project.

- Affordable Housing (Planning Code Sec. 415) – It is assumed that the residential project on SWL 330 pays the affordable housing in-lieu fees instead of constructing 15 percent inclusionary affordable units onsite. These in-lieu fees apply to 20 percent of the units. The other commercial uses do not pay the Affordable Housing Fee.

- Child Care (Planning Code Sec. 414) – A fee per square foot paid by the commercial uses (hotel, office and retail).

- Transit Impact Development Fee (Planning Code Sec. 411.3) – A fee per square foot paid by all commercial uses.

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[4] Conceptual Framework for Piers 30-32 Ground Lease and SWL 330 Conveyance

- Eastern Neighborhoods Infrastructure Fee Tier 1 (Planning Code Sec. 423.3) – A fee per square foot paid by all uses on SWL 330 (not on Piers 30-32). Eastern Neighborhood Infrastructure Fees may be reduced, with the approval of an in-kind agreement by the Planning Commission, to the extent the Project provides public amenities and infrastructure.

In addition to the impact fees charged by the City, there are a range of other utility connection and capacity charges that will be collected based on utility consumption and other factors. Other fees will include school impact fees to be paid to the San Francisco Unified School District.

## b. Economic Benefits to the City

The construction of a new multi-purpose venue, retail and restaurant space on Piers 30-32, new development on SWL 330, and the economic activity generated by basketball games, other events, and the relocation of the Warriors will create short-term construction spending and jobs, as well as longer-term, permanent jobs and economic activity in San Francisco. The economic analysis provides estimates of these benefits, including the "multiplier" effects from expenditures by new businesses, residents and visitors that in turn generate more business to suppliers and other industries supporting the new businesses resulting from the Project. The potential benefits were previously summarized in **TABLE 3**.

**Table 3 Net Adjusted Annual Economic Impacts**

| Item | Total |
|---|---|
| **Ongoing Employment (1)** | |
| Direct | 1,712 |
| Indirect | 608 |
| Induced | 523 |
| **Total Employment** | **2,842** |
| **Annual Total Output** | **$476,884,000** |
| **One-Time Employment (Construction) (2)** | |
| Direct | 2,623 |
| Indirect | 1,110 |
| Induced | 1,278 |
| **Total Employment** | **5,011** |
| **Total Output (Construction)** | **$1,474,909,715** |

*Note: Table includes economic impacts generated by the Multi-Purpose Venue (MPV), other land uses on Pier 30-32 and SWL 330, and MPV visitors' spending in the City but away from the Project site.

Also, note that the totals are "net adjusted" meaning that the gross impacts - including direct, indirect, and induced impacts driven from the Project - have been adjusted to account for impacts that already occur in San Francisco, due to Oracle Arena's operations in Oakland. For example, visiting NBA basketball teams playing in Oakland often book hotel rooms in San Francisco. These types of impacts have been deducted from the gross impacts to arrive at a "net adjusted" number that estimates new impacts, due to a new MPV in San Francisco. See Appendix B for details on calculations.

(1) Reflects full-time employee equivalents (FTEs), including jobs generated by the Project on the Pier and SWL and off-site.
(2) Reflects FTE job-years.

Source: IMPLAN 2010; and Economic & Planning Systems.

The estimates are based on current proposals and plans that will be refined during the planning process and environmental review. The current analysis is intended to provide a general "order of magnitude" of benefits, and to provide a description of the types of benefits. Activity already occurring in the City is recognized to the extent possible in order to generate estimates of the "net increase" in economic benefit. A detailed market analysis has not been prepared at this time, but the assumptions and methodologies are believed sufficient for a planning-level analysis. Assumptions and calculations are further documented in **APPENDIX B**.

## Construction Impacts

Construction expenditures are likely to total approximately $1 billion, as the multi-purpose venue and other new development are constructed over a three- to five-year period. In addition to "direct" construction activity and jobs on site, the construction expenditures will also generate

new business and jobs "indirectly" for San Francisco firms serving the construction industry. Expenditures in San Francisco by the households of employees of companies benefiting from these direct and indirect expenditures will create additional "induced" benefits to the City.

**Economic Impacts**

The Warriors franchise represents a significant source of economic activity within the region, in addition to the expenditures by fans at the multi-purpose venue. The team generates substantial income not only from ticket sales, but also from television and radio income, sponsorships and naming rights, and other sources. This income supports player, staff and administrative expenditures within the economy. In addition, visiting teams spend substantial sums on hotel accommodations, food and beverages, transportation and other services. Much of this economic activity already occurs in San Francisco. For example, nearly all visiting teams to the Oracle Arena in Oakland currently stay in San Francisco. Because of the relatively short distance involved in the team re-location, it is not likely there will be a significant shift immediately in the pattern of current economic activity; the analysis recognizes this issue, and deducts approximately 50 percent of current team-related and employee household activity that is not likely to represent a net increase and benefit to the City. There is likely to be a growth in benefit from team-related activity over time as employee turnover occurs and San Francisco residents are hired, and as service and supply contracts are renewed. This analysis assumes that relocating the Golden State Warriors team and providing a new multi-purpose venue on the San Francisco waterfront will generate increased overall attendance and income relative to GSW's current operation. These assumptions are the basis for the current, conservative estimates of economic activity and tax revenues outlined below.

Events at the multi-purpose venue will attract approximately 2 million attendees annually who will spend money on food, beverages and merchandise in addition to the cost of admissions. Some of the spending in the multi-purpose venue by local residents, who are assumed to account for approximately 30 percent of total attendees, will shift expenditures from existing businesses in the City; however, the multi-purpose venue provides a new venue likely to retain dollars otherwise spent in other cities, including expenditures by Warriors fans who live in the City, as well as other City residents whose expenditures on concerts and events will occur in San Francisco rather than at other venues in the Bay Area. The current analysis reduces projected <u>resident</u> expenditures (on non-basketball events) by 50 percent to generally account for potential "substitution" effects; in other words, these residents would have spent a significant portion of their entertainment and retail dollars on other events in the City anyway. The net result is a reduction of 15 percent, since residents account for about 30 percent of attendance.

Approximately 70 percent of event attendees, or about 1.4 million, are anticipated to reside outside of San Francisco, and their expenditures represent a net increase in economic activity in the City. It is likely that a portion of visitors from outside of the City and region will stay overnight, generating hotel revenues in addition to other expenditures at restaurants, shops and services in the City as well as at the proposed Project. As noted in the prior fiscal analysis section regarding hotel taxes, the analysis assumes that about half of the visitors from outside the Bay Area generate net new hotel room demand in the City. This estimate is preliminary, and will be refined as further market analysis is prepared.

Approximately 105,000 square feet of new retail and restaurant space is proposed by GSW on Piers 30-32, which will capture expenditures of attendees pre- and post-events, as well as expenditures by residents and current visitors to San Francisco. Other existing businesses in the area are likely to benefit as well from visitors coming into town early for dinner, or staying after events and patronizing local bars and restaurants. Retail and restaurant spending by visitors has been reduced by 25 percent to reflect the likelihood that many of these visitors would already have been staying in San Francisco, and reflected in current occupancies, while attending venue events elsewhere in the region.

A new hotel constructed on SWL 330 is likely to capture a portion of demand generated by events; the balance of new hotel room-nights from visitors to the Project will be spread throughout the City and region.

***New Households***

Development of residential units on SWL 330 will accommodate new households, generating a small number of new jobs and economic activity within the City. Expenditures by the occupants of the new units (other than to support the small number of jobs in the residential building) are not included in the economic impact numbers.

***Total Output***

"Output" represents total income from all sources to the businesses located at the Project; it includes all supplies, labor, and profit required to produce the good or service provided by the business. In addition, Project businesses will spend money on goods, supplies and services in San Francisco, which generates additional "indirect" economic activity and supports additional jobs at those suppliers. The expenditures of the San Francisco households holding those direct and indirect jobs will spend a portion of their income in the City, which is an additional source of "output". Total output is the sum of direct, indirect, and induced business income in the City as a result of the Project. Ticket sales are included in output, as they help to support the expenditures related to operations of the multi-purpose venue. The analysis assumes a relatively conservative average ticket price of $30 overall; higher ticket prices are possible, particularly for major entertainers; however, this increase in ticket revenue would not necessarily generate a corresponding proportionate increase in economic activity within the City.

***Employment***

New permanent full and part-time jobs will be created by the Project. The number of jobs to San Francisco residents will depend on implementation of local hire policies, and the specific number and type of businesses involved in multi-purpose venue activities and other new Project development.

## c. Direct Financial Benefits to the Port

***Appraisal***

The Port and the Department of Real Estate commissioned an appraisal of both Piers 30-32 and SWL 330 by Carneghi-Blum & Partners, Inc., a copy of which is provided in **Appendix D.** The appraisal provided the fair market sale and lease value for both properties by determining the highest and best use based on existing height and bulk requirements and use restrictions,

including the Public Trust on Piers 30-32. Additionally, for Piers 30-32, the appraiser was instructed to assume that the site was delivered with a rehabilitated substructure.

Subject to the approval of the State Lands Commission, the annual fair market lease value for Piers 30-32 is $1,970,000. The fair market sale value of SWL 330 is $30,400,000 and the annual fair market lease value is $2,130,000.

***Base Rent and Percentage Rent***

Upon commencement of the fair market value lease for Piers 30-32, GSW will be responsible for paying a minimum base rent. The rent will be based on the appraised fair market value of the piers post-rehabilitation; during construction, it is anticipated that the rent will be less, based on revenues received from Piers 30-32 before the Project. GSW will receive credits until GSW is reimbursed for the pier substructure costs and, subject to further negotiation, other public realm improvements.

GSW will also pay to the Port a percentage of net revenues from specified Project sources, including a percentage of net proceeds of sales arising from non-affiliate transfers and refinancings, after GSW has recovered its costs plus a return on those costs.

In fiscal year 2011-2012, the Port received revenue of approximately $1.7 million from Piers 30-32 and SWL 330, including $693,333 from SWL 330 parking revenues, $997,423 for Piers 30-32 parking revenues and $59,848 from Red's Java House.[5] The Port is not currently receiving parking review from Piers 30-32 due to the America's Cup use of Piers 30-32 for sailing team bases for the 34th America's Cup.

***Sale Proceeds***

The Port will convey fee title to SWL 330 free of the public trust to GSW at appraised fair market value, subject to approval by the State Lands Commission. The value of SWL 330 will be applied towards the cost of the substructure rehabilitation of Piers 30-32. In the event that conditions for conveyance cannot be satisfied SWL 330 will be leased to GSW. The lease payments will be at appraised fair market value and will be applied towards the rehabilitation costs of Piers 30-32.

***Operating Expenses***

All operating expenses will be the responsibility of GSW, including the maintenance of SWL 330, Piers 30-32 and all built facilities and public open spaces over the life of the lease.

***Capital Repairs***

GSW will be responsible for all repairs and rehabilitation required for the Project improvements, including the substructure of Piers 30-32. Pier substructure costs will be subject to verification and limited to reimbursement from the three identified Project sources: (1) rent credits from GSW's fair market value lease of Piers 30-32; (2) conveyance of SWL 330 at its appraised fair market value; and (3) net available property tax revenue generated by the Project from the development site, under an IFD.. Costs will be reimbursed up to $120 million, the projected cost

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[5] Port of San Francisco, Office of Finance & Administration, for operations July 2011 through June 2012.

of the rehabilitation work;[6] actual costs and reimbursement could be less. Without this investment, the useful remaining life of the Piers 30-32 will be limited to ten years. Additional Port funds exceeding $45 million will be necessary to extend the life of the Piers or to demolish the Piers at an estimated cost of $45 million.[7]

***Capital Investment***

GSW will privately finance the rehabilitation of Piers 30-32 and will provide waterfront public access from the Piers, as noted above, subject to reimbursement of up to $120 million.[8] As presented in the Conceptual Framework, GSW is obligated to rehabilitate the Piers 30-32, even if actual costs exceed $120 million. The other uses on the Piers and the development of SWL 330 will be entirely privately funded[9]; the estimated total cost, including $120 million rehabilitation cost, is approximately $1 billion.[10]

## d. Direct Benefits to the City – Creation and Maintenance of New Public Access Facilities

The Project includes a minimum of 50 percent of Piers 30-32 as public open space.[11] The actual amount provided could exceed 50 percent, depending on the final configuration and design of the Project. The Project also proposes to include maritime facilities, including ferry landings, water taxi docking, and a kayak launch. The Project may also include a new station for the City's fire boats and other maritime activities.

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[6] Conceptual Framework for Piers 30-32 Ground Lease and SWL 330 Conveyance

[7] A report prepared by BAE cited by the Budget and Legislative Analyst's report on the 34th America's Cup Event (12/13/2010) indicated that ten years may remain of the useful life of Piers 30-32. Further analysis and repairs at the site have lead Port Engineering staff to also conclude that the life of the piers is estimated at ten years. Costs to demolish the Piers are estimated at $45 million (per OEWD, 10/15/12 based on Port information).

[8] Conceptual Framework

[9] Certain waterfront infrastructure improvements, public open space and maritime improvements may receive funding from the IFD to the extent the pier rehabilitation cost is less than $120 million, and the City and Port agree to the funding.

[10] GSW estimate of total cost includes "soft costs" such as design, engineering, and contingency. Assessed value, which is the basis for property and possessory interest taxes, may be less depending on actual costs and assessment methodologies applied by the Assessor's office.

[11] GSW

## e. Other Public Benefits

In addition to the benefits noted above, the Project will also provide the following benefits:

- The attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Piers 30-32 and SWL 330 as well as other Port land and privately owned property in the vicinity the Project.
- The enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events.
- It is likely that there will be a positive impact on overall property values in the general vicinity of the Project; however, specific effects will vary depending on the type and location of individual properties. These effects have not been quantified.

The presence of the GSW Team and organization, the significant increase in visitor expenditures, and the new development will create a range of fiscal and economic benefits which are described in the prior sections.

# 3. Costs of Construction for the Project

## Development Costs

### Rehabilitation of Piers 30-32

The cost for rehabilitating Piers 30-32 is shown in the current analysis to total $120 million. This figure represents the maximum reimbursable amount per the Conceptual Framework.[12] The cost estimates will continue to be refined during the course of design and planning.

### Cost of Other Improvements

The total cost for other private improvements, including the multi-purpose venue, commercial buildings on Piers 30-32, and the development on SWL 330, are anticipated to cost $1 billion. These costs will be privately funded through a combination of equity and commercial financing mechanisms.

[12] GSW

# 4. AVAILABLE FUNDING FOR THE PROJECT

## a. Rehabilitation of Piers 30-32

GSW will provide initial financing for rehabilitation of Piers 30-32 and public access improvements on the piers. The Conceptual Framework proposes that the following sources will repay GSW for the costs for rehabilitating the Piers 30-32 substructure. The total combined reimbursement is limited in the Conceptual Framework to $120 million.

- Rent credits from the fair market value lease of Piers 30-32
- Revenues from the fair market sale (or lease) from SWL 330
- Property Tax revenues, including bond proceeds and "pay as you go" funds generated by an Infrastructure Financing District (IFD), on Piers 30-32 and SWL 330[13]

As provided in the Conceptual Framework, GSW will receive a 13 percent annual rate of return for financing the rehabilitation of Piers 30-32. A return of 12 percent to 14 percent[14] is typical for a condo building or major office project; the current multi-purpose venue and retail project represents an additional level of risk relative to a single condo or office project in San Francisco, but is expected to fall within the 12 percent to 14 percent range considering the unique location, design, mix of uses and relatively discrete development period compared to other major mixed-use projects with a longer development period.

The key terms and conditions related to rent credits, infrastructure financing districts, and SWL proceeds are further described in the Conceptual Framework.

## b. Funding for Other Improvements

Private funds will be used for construction of the multi-purpose venue and all residential and commercial uses, including all costs for entitlement, design and construction, City impact and other agency fees.

If GSW, through cost savings, completes the rehabilitation of Piers 30-32 under the projected cost of $120 million, the Conceptual Framework allows the City and GSW to negotiate for the reimbursement of other, specific public realm improvements, up to the $120 million cap.

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[13] The initial funding may also include bond proceeds from a Mello-Roos Community Facilities District (CFD). Subsequent IFD funds (bonds and/or "pay as you go") can repay the CFD bonds.

[14] Unleveraged returns

# 5. Long-Term Operating and Maintenance Costs

Maintenance and operation of the multi-purpose venue, associated open space and all residential and commercial uses will be the responsibility of GSW. GSW will be responsible for funding the maintenance of public improvements, including the piers, over the life of the ground lease.

Similar to other large venues in the City, it is assumed GSW will provide security and emergency medical services within the multi-purpose venue and on leased premises. The City will be responsible for providing a range of public services to visitors, employees and residents of the Project outside of the site. It is expected that the significant increase in visitors to the Project area drawn by events at the multi-purpose venue will create a range of service requirements that may require additional staff, equipment and facilities. This chapter summarizes a number of key issues facing City departments that will be further refined during the course of environmental review and addressed through a combination of Project mitigation measures. Any funding required is likely to come from a combination of Project-generated public revenues, one-time and ongoing Project fees, special taxes or assessments, or other sources to be determined. Public facilities, for example as may be required for emergency services, will be evaluated during the environmental review process to determine specific need, implementation and funding.

## a. Public Open Space

At least 50 percent of Piers 30-32 will be improved by GSW for public access and open space. It is assumed in this analysis that these areas will be maintained by GSW and will not create a fiscal impact on the City or the Port, similar to other recent projects with public space such as the Exploratorium.[15]

## b. Police

The Project area is located within the Southern District of San Francisco Police Department (SFPD). The Southern District is one of ten districts in the City and is typically patrolled by five units.

The majority of the Project's demand for police service is likely to be generated by the multi-purpose venue events, such as basketball games and concerts. SFPD indicates that multi-purpose venue events may result in a range of types of incidents requiring police responses including retail theft, illegal ticket sales, and other public nuisances in the neighborhood; the specific level and types of impacts will depend on the Project's design, visibility, and access.[16]

It is likely that officers will be required to patrol entrances during the pre-game. For comparison, typical Giants games require approximately 10 officers and in some instances up to 20 officers. For every game, at least two officers are pulled from each district in the City. These

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[15] Interview with Katherine Petrucione, City Recreation, 9/11/12.

[16] Interview with Lieutenant Roualdes, 9/7/12.

officers return to duty in their assigned district during the course of the game as the need for officers reduces. Although coverage would be reduced elsewhere during this period, additional costs are not incurred to fund additional officers. Security within the multi-purpose venue is likely to be provided by a combination of private security and contracted City police officers and paid for by GSW. The City contract ("10B" contract) paid by a multi-purpose venue operator would cover all City costs during an event, including an overhead and administrative charge.

Police Department representatives indicated that they would like an adequately-sized command post within the venue; specific design and use requirements will be defined during the planning process similar to the Giants.[17] Impacts on police services during the pre-game period could potentially be mitigated to the extent that the contract police officers hired for security inside the multi-purpose venue can also provide pre-game security. It is anticipated that these issues and other impacts and mitigations will be further evaluated and addressed during the CEQA process.

### c. Fire and EMS

The San Francisco Fire Department (SFFD) deploys services with the closest station responding, supplemented by additional resources based on the nature of the call. Station 35, located on the Embarcadero north of the Bay Bridge, is the fire station nearest the Project. Station 35 is responsible for staffing three fireboats and one engine. If Station 35 responders are out on a fireboat call, no staff would be available to respond on the engine and the response would be the responsibility of the next nearest station. Emergency Medical Service (EMS) is provided by ambulances which "float" at different positions around the City, depending on coverage requirements. The South of Market area typically has a high ambulance ratio due to a high service call volume. Approximately one-third of ambulance costs are recovered, on average, from fees and charges.[18]

The majority of calls related to the Project are likely to be medical injuries before and after the game, outside the multi-purpose venue. It is anticipated that the multi-purpose venue events would contract with private EMS companies for services inside the multi-purpose venue. Currently the Department does not realign services to accommodate events such as Giants games, although certain one-time, large events sometimes do require re-positioning of ambulances, particularly if road closures are involved. The Department currently is able to meet its response time standards for critical calls, even in the event of Giants games. The Department does not anticipate increased costs, including additional staffing, resulting from the Project.[19]

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[17] Ibid.

[18] Interview with Captain Zanoff, CCSF Fire Department, 9/11/12.

[19] Interview with Lieutenant Ken Lombardi, 10/15/12.

Congestion at the Embarcadero from the Project is a concern to SFFD, as it could impede response times during events. Transit will help to reduce the auto congestion, however increased foot traffic leads to a potential increase in pedestrian injuries. It is anticipated that these issues and other impacts and mitigations will be further evaluated and addressed during the CEQA process.

## d. MTA

The Municipal Transportation Agency (MTA) will be responsible for providing a broad range of services and facilities to the Project. Currently, MTA is preparing a comprehensive assessment of services and facilities that will be affected by a number of large planned development projects. The purpose of the assessment is to assure a balanced transportation network needed to accommodate future growth.

The development of the Project will have a number of impacts on MTA, including additional transit service requirements to handle increased ridership on lines serving the Project, as well as potential impacts on other lines. For example, during Giants games, services are pulled from other areas of the City. While MTA is concerned about maximizing transit services and transit options, designing management structures to increase utilization of existing parking spaces available during evenings and weekends to serve Project events also presents a challenge. Traffic control during events will also be required.

A number of mechanisms exist for managing the range of issues noted above. Additional public tax revenues and fees, for example Transit Impact Development Fees (TIDF), will help to mitigate MTA costs. Additional mechanisms for addressing increased travel to the site includes parking management and parking shuttles, additional transit options such as water taxis, management of the number, type and timing of events, coordination among the multiple transit systems serving the area, potentially the addition of rolling stock and/or personnel as needed to provide services, and an integrated command center to handle special events in the City. MTA is funded through a combination of local, State and Federal sources as well as from fee revenues. Large development projects generally contribute funding to improvements through increased property taxes, as well as development impact fees and specific project mitigations, programs and funding mechanisms. These and other issues, mechanisms and funding sources will be further evaluated in detail in future studies as part of the CEQA process.

## e. DPW

The Department of Public Works (DPW) will be responsible for providing additional services for an area surrounding the Project, including street and sidewalk cleaning.[20] It is anticipated that larger events, especially basketball games and concerts, will require a higher level of service than smaller events, such as family shows. As provided in the Conceptual Framework, GSW and the City will work to identify ongoing funding mechanisms to be directed to DPW and other City Departments to the extent additional funds are required to maintain the area's quality of life.

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[20] Interview with Larry Slinger, Department of Public Works, 10/16/12.

# 6. *Debt Load to be Carried by the City or the Port*

The Project proposes to use newly created Property Tax funds generated by an Infrastructure Financing District (IFD) to help pay for the rehabilitation of the Piers 30-32 substructure. The IFD obligations are secured by property taxes (and possessory interest taxes) paid by the Project lessees and property owners, and do not obligate the City's General Fund or the Port's Harbor Fund.

Although specific financing vehicles have not been determined at this point, it is expected that the annual IFD revenues, which are estimated to total $5.8 million annually, will repay debt service on IFD bonds. This level of revenue could support approximately $60 million in bond proceeds (net of issuance costs), and provide an additional $1 million annually for "pay as you go" funding.

# APPENDIX A:

## Fiscal Analysis

**Table A-1**
**Project Description Summary***
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Total |
|---|---|
| **Multi-Purpose Venue** | |
| Building Area | 700,000 sq.ft. |
| Number of Seats | 17,500 seats |
| Events | 205 annually |
| Annual Paid Attendance | 2,240,000 |
| Annual turnstile Attendance (1) | 1,972,250 |
| Parking | 630 spaces |
| Parking Area | 220,500 sq.ft. |
| **Rest of Pier 30-32** | |
| Practice Facility/Training Areas | 31,000 sq.ft. |
| Event Management/Team Operations Space | 40,000 sq.ft. |
| Retail | 105,000 sq.ft. |
| Open Space | At least 50% of Pier 30/32 area. |
| **SWL 330** | |
| Residential | 125 units |
| Hotel | 200 rooms |
| Retail | 34,000 sq.ft. |
| Parking | 200 spaces |
| Parking Area | 96,000 sq.ft. |

*Note: preliminary and subject to change.

(1) Based on 85% of sold tickets for basketball events and 90% of sold tickets for all other events per Barrett Consulting.

Source: GSW; Economic & Planning Systems, Inc.

**Table A-2**
**San Francisco Revenue Summary (2012 dollars)**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Calculation Reference | Annual Total |
|---|---|---|
| **Annual General Revenue** | | |
| Property Tax / Possessory Interest (General Fund) | *Table A-5* | $5,061,274 |
| Property Tax in Lieu of VLF | *Table A-6* | $1,016,258 |
| Property Transfer Tax | *Table A-7* | $59,500 |
| Sales Tax | *Table A-8* | $724,568 |
| Payroll Tax: | | |
| On-site | *Table A-10* | $1,381,894 |
| Off-site (1) | *Table A-10* | $25,900 |
| Indirect and Induced Impacts | *Table A-10* | $923,000 |
| Parking Tax | *Table A-11 - A-12* | $271,633 |
| Hotel/Motel Tax (General Fund) | *Table A-13* | $1,478,864 |
| Stadium Admissions Tax | *Table A-14* | $2,823,791 |
| Subtotal | | $13,766,682 |
| **Annual Other Dedicated and Restricted Revenue** | | |
| Special Fund Property Taxes (Children's, Library, and Open Space) | *Table A-5* | $715,501 |
| Transfer Fees to the Port | *Table A-7* | $87,500 |
| Public Safety Sales Tax | *Table A-8* | $362,284 |
| San Francisco County Transportation Authority Sales Tax | *Table A-8* | $362,284 |
| MTA Parking Tax | *Table A-11 - A-12* | $1,086,531 |
| Hotel/Motel Tax (Cultural Programs) | *Table A-13* | $1,285,367 |
| Stadium Admissions Tax (Recreation and Parks) | *Table A-14* | $1,334,959 |
| Subtotal | | $5,234,426 |
| **TOTAL REVENUES** | | **$19,001,108** |

(1) Reflects additional tax generated by the Multi-Purpose Venue visitors off-site as part of additional hotel and parking activity.

Source: Economic & Planning Systems, Inc.

**Table A-3**
**San Francisco One-Time Revenue Summary (2012 dollars)**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | One-Time Total |
|---|---|
| Development Impact Fees (1) | $46,131,000 |
| Sales Taxes During Construction (2) | $4,062,000 |
| Payroll Tax During Construction | $3,047,000 |
| Property Transfer Tax | $595,000 |
| **TOTAL REVENUES** | **$53,835,000** |

(1) Development impact fees includes fees for jobs-housing linkage, affordable housing, child care, TDIF, and Eastern Neighborhood fees. While most fees are set for calendar year 2012 on a per building square foot level and are therefore relatively straightforward to calculation, several fees include some interpretation. The following key assumptions have been used to estimate the fee:

- Affordable housing fee paid for residential development assumes: 125 market rate units will require payment for 20 affordable units (125*20%). Fee paid is estimated based on a rate of $334,478 per 2-bedroom unit.
- Multi-Purpose Venue square footage development is assumed to pay entertainment development rate.

See Table A-4 for details on fee calculations.

(2) Assumes that 60% of total development costs are for supplies and construction materials; Of that amount, San Francisco is expected to capture 50% of taxable sales.

Source: Economic & Planning Systems, Inc.

**Table A-4**
**San Francisco City Development Impact Fee Revenue Estimate**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Residential *per gross sq.ft., except for affordable housing fee, or Total Fee* | Hotel | Office | Retail | Entertainment (includes Multi-Purpose Venue, Practice Facility, Training area) | TOTAL |
|---|---|---|---|---|---|---|
| | *per gross building sq. ft. or Total Fee* | | | | | |
| New Development (sq.ft.) (1) | 160,000 | 190,000 | 40,000 | 139,000 | 731,000 | |
| New Residential Units | 125 | | | | | |
| **City Fees** (per gross building sq.ft., except for "Affordable housing" (2) | | | | | | |
| Jobs Housing-§413 | $0.00 | $16.52 | $22.06 | $20.58 | $20.58 | **$21,925,800** |
| Affordable Housing-§415 (3) | $334,478 | $0.00 | $0.00 | $0.00 | $0.00 | **$8,361,950** |
| Child Care | $0.00 | $1.06 | $1.06 | $0.00 | $0.00 | **$243,800** |
| TIDF (§411.3) | $0.00 | $9.65 | $12.06 | $12.06 | $12.06 | **$12,808,100** |
| Eastern Neighborhoods - Infrastructure Fee - Tier 1 (§423.3) (4) | $8.51 | $6.38 | $0.00 | $6.38 | $0.00 | **$2,790,720** |
| Subtotal (per sq.ft.) | $60.77 | $33.61 | $35.18 | $39.02 | $32.64 | |
| **Total Development Impact Fee** | $9,723,550 | $6,385,900 | $1,407,200 | $4,753,880 | $23,859,840 | **$46,130,370** |
| **Other In-Lieu Impact Fees** | | | | | | |
| Public Art - Installation or Fee | $0.00 | 1% const. cost | 1% const. cost | 1% const. cost | 1% const. cost | |
| Street Trees | 1 tree per 20' frontage, with an additional tree per remaining 10'. In-lieu fee is $1,744/tree that can't be planted. | | | | | |

(1) Parking is not included in any of these fees. If the parking exceeds the accessory amounts permitted, the impact fees may be affected.
(2) All impact fees are preliminary as of 10/12/12 and are subject to change based on final project scope of project.
(3) Total in lieu fee estimate based on a 125 unit project paying fees for 25 in lieu units, based on 2-bedroom unit fees.
(4) Can be offset by the developer's construction of public improvements that get addressed through an "In-Kind Agreement"; fees apply to SWL only.

**Table A-5**
**Possessory Interest/Property Tax Estimate**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumptions | Total |
|---|---|---|
| **Secured Assessed Value (1)** | | |
| Multi-Purpose Venue | | $550,000,000 |
| Remainder of Piers 30-32 | | |
| Practice Facility/Training Areas | | $17,505,882 |
| Event Management/Team Operations Space | | $23,200,000 |
| Retail | | $38,587,500 |
| Parking | | $22,050,000 |
| Subtotal | | $101,343,382 |
| SWL330 | | |
| Residential | | $87,500,000 |
| Hotel | | $105,400,000 |
| Retail | | $12,495,000 |
| Parking | | $10,000,000 |
| Subtotal | | $215,395,000 |
| **Net New Assessed Possessory Interest/Property Tax Value** | | **$866,738,382** |
| Gross Secured Possessory Interest/Property Tax | 1.0% of new AV | $8,667,384 |
| Unsecured Tax from the Warriors (2) | | $220,000 |
| Unsecured Tax From Other Uses (3) | | $74,283 |
| Subtotal | | $8,961,666 |
| (less) Existing Taxes (4) | | ($17,906) |
| Total | | $8,943,760 |
| **Possessory Interest/Property Tax (5)** | | |
| Net New General Fund Share (after ERAF) | 56.59% possessory interest tax increase | **$5,061,274** |
| Special Funds (6) | 8.00% | **$715,501** |
| SF Unified School District | 7.70% possessory interest tax increase | **$688,670** |

Notes to Table A-5

(1) Initial secured assessed valuation is based on the assessed value of $550 million for the Multi-Purpose Venue (equal to the hard construction costs of the structure), the market values of all other uses, as follows: $580 per square foot for Warriors Event Management/Team Operations Space, $700,000 per unit for residential, $527,000 per unit for hotel, $368 per square foot for retail, and construction cost of $45,000 per space for parking.

Note: Total assessed value slightly less than total development costs due to the exclusion of "soft costs" from assessed value; this is a conservative assumption.

(2) Assumed at 10% of Warriors Event Management/Team Operations Space and retail assessed value.

(3) Reflects the existing possessory interest tax paid by Red's Java House and Imperial Parking as reported by the San Francisco Assessor Office.

(4) Based on the existing Golden State Warriors assessment and payment; the new assessment is likely to exceed this payment.

(5) Property tax allocations from Rincon Hill Infrastructure Financing District documentation.

(6) Special funds include property tax set aside for Library, Open Space, and Children's Fund.

Sources: Golden State Warriors; City of San Francisco; Economic & Planning Systems, Inc.

**Table A-6**
**Property Tax in Lieu of VLF Estimate**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumptions | Total |
|---|---|---|
| Citywide Total Assessed Value (millions $) (1) | | $147,300 |
| Project Assessed Value (millions $) | | $866.74 |
| Growth in Citywide AV due to Project | | 0.59% |
| Total Property Tax in Lieu of Vehicle License Fee (VLF) (FY2012-13) (2) | | $172,710,000 |
| **Net New Property Tax in Lieu of VLF** | | **$1,016,258** |

(1) Based on the CCSF FY11 total taxable assessed value recorded by Controller's office, City and County of San Francisco, California Comprehensive Annual Financial Report Year Ended June 30, 2011, page 209.

(2) City and County of San Francisco Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2013-14, page 124.

Sources: Economic & Planning Systems, Inc.

**Table A-7**
**Property Transfer Tax and Port Transfer Fee Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumptions | | Total |
|---|---|---|---|
| Annual Transfer Tax From Building Sales | | | |
| Average Market-Rate For-Sale Residential Unit Value (1) | $700,000 | per unit | |
| Residential Assessed Value (AV) | $87,500,000 | | |
| Transfer Tax From New Residential Sales | $6.80 | per $1,000 value | $595,000 |
| Transfer Tax From Residential Re-sales | 10% | annual turnover | $59,500 |
| | | | |
| Average Commercial Value on SWL 330 (2) | | | |
| SWL 330 Non-Residential (AV) | $127,895,000 | | |
| Transfer Tax From Non-Residential Space Sales on SWL 330 | $25.00 | per $1,000 value | $0 |
| Transfer Tax From Resales of Non-Residential Space on SWL 330 | 0% | annual turnover | $0 |
| | | | |
| Average Commercial Value on Piers 30/32 (3) | $651,343,382 | total AV | |
| Transfer Tax From New Commercial Space Sales | $25.00 | per $1,000 value | $0 |
| Transfer Tax From Commercial Re-sales | 0% | annual turnover | $0 |
| | | | |
| **One-time Transfer Tax** | | | **$595,000** |
| **Ongoing Annual Average Transfer Tax (constant $)** | | | **$59,500** |
| | | | |
| Annual Port Transfer Fee From Residential Sales (4) | | | |
| **Transfer Fee From Residential Re-sales** (assumes 10% of units sell each year) | 1.0% | of resold price | **$87,500** |

(1) The San Francisco Assessor's office charges a property transfer tax in order to record documents with the office. The amount of the tax varies by the value of the sale. Estimated transfer taxes are shown for residential units on SWL 330 assuming units sell between $250,000 and $1 million. After construction and sale of all of the units, estimated one time taxes are shown. As units resell, the City will also receive ongoing revenues.

(2) SWL 330 non-residential uses include Warriors Event Management/Team Operations Space, hotel, retail, parking, and a practice facility/training areas. No initial or future sale assumed.

(3) Uses on Piers 30/32 include the Multi-Purpose Venue, retail, and parking. Development is assumed to be located on piers which was leased from the Port of San Francisco. Transfer taxes apply at the initial lease; no lease transfer is expected to take place therefore no ongoing taxes are anticipated to be generated.

(4) Port transfer fee is assumed to begin with the second sale of each residential unit.

Sources:GSW; City of San Francisco; Economic & Planning Systems, Inc.

**Table A-8**
**Sales Tax Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumptions | Total |
|---|---|---|
| **Taxable Sales From Multi-Purpose Venue** | | |
| Game Concessions and Merchandise | $21.60 per attendee (turnstile) | $16,065,000 |
| Other Event Concessions | $11.00 per attendee (turnstile) | $32,175,000 |
| Total | | $48,240,000 |
| Sales Tax to General Fund | 1.0% of sales | $482,400 |
| (less) Existing Sales Shift (1) | | ($45,082) |
| Net New Sales Tax | | $437,318 |
| **Taxable Sales From Commercial Space** | | |
| Pier 30-32 Retail | $450 per sq.ft. | $47,250,000 |
| SWL330 Retail | $300 per sq.ft. | $10,200,000 |
| Total | | $57,450,000 |
| Sales Tax to San Francisco | 1.0% of taxable sales | $574,500 |
| (less) Shift From Existing Sales (2) | | ($287,250) |
| Net New Sales Tax | | $287,250 |
| **Annual Sales Tax after Shift of Existing Sales** | | |
| Sales Tax to the City General Fund | 1.00% | **$724,568** |
| Public Safety Sales Tax (3) | 0.50% of taxable sales | **$362,284** |
| San Francisco County Transportation Authority (3) | 0.50% of taxable sales | **$362,284** |
| SF Public Financing Authority (Schools) (3) | 0.25% of taxable sales | **$181,142** |
| **One-Time Sales Taxes on Construction Materials and Supplies** | | |
| Total Development Value (4) | | $1,015,506,506 |
| Supply/Materials Portion of Construction Cost | 80.00% | $812,405,205 |
| San Francisco Capture of Taxable Sales | 50.00% | $406,202,602 |
| Sales Tax to San Francisco | 1.0% of taxable sales | **$4,062,026** |

(1) A portion of new sales from San Francisco residents at the facility are expected to have occurred elsewhere in San Francisco, were the project not built. To account for this, sales that would have occurred elsewhere in San Francisco are deducted from the total. This proportion is estimated based on the following factors: 30% of Multi-Purpose Venue visitors are San Francisco residents with the remainder drawn from other locations; half of the spending of San Francisco residents is assumed to be shifted from other purchases in the City on non-basketball events.
(2) Deducts a share of visitor sales that would have occurred elsewhere in San Francisco.
(3) Sales tax proportions for these entitles are as reported in Controller's Office publication on sales tax from 2008.
(4) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).
Sources: Golden State Warriors; City of San Francisco; Economic & Planning Systems, Inc.

**Table A-9**
**Employment Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumption | FTE/Total $ | Source |
|---|---|---|---|
| Pier 30-32 | | | |
| Multi-Purpose Venue (1) | | | |
| Full-time operations | | 100 | Golden State Warriors |
| Event staff (2) | | 205 | EPS estimate, based on GSW input |
| Golden State Warriors | | | |
| Players | | 15 | Golden State Warriors |
| Other Staff (3) | | 150 | Golden State Warriors |
| Retail | 300 sq.ft. per FTE | 350 | SF Controller |
| Parking | 270 spaces per FTE | 2 | HPS FIA |
| Subtotal | | 823 | |
| SWL 330 | | | |
| Residential (4) | 15 units per FTE | 8 | Treasure Island EIR |
| Hotel | 1.25 rooms per FTE | 160 | Treasure Island EIR |
| Retail | 300 sq.ft. per FTE | 113 | SF Controller |
| Parking | 270 spaces per FTE | 1 | HPS FIA |
| Subtotal | | 282 | |
| Total Permanent Employment On-site | | **1,105** | |
| Project Construction | | | |
| Total Development Value (5) | | $1,015,506,506 | |
| Labor Portion of Construction Cost (6) | 20% of construction value | $203,101,301 | |
| Construction: Job-Years (temporary) (7) | $77,500 average annual wage | **2,621** | California Economic Development Department |

(1) Assumes 100 full-time workers with the remainder as part-time staff; part-time workers are converted into FTEs based on 205 annual Multi-Purpose Venue events assuming a typical 5-day 50-week work cycle.
(2) Reflects 500 employees in 6-hour shifts during the Warriors games and 280 employees in 6-hour shifts for all other events.
(3) Includes the Golden State Warriors non-staff franchise employment, such as trainers, coaches, doctors, scouts, and administration.
(4) Reflects employment in the property management and building maintenance industries.
(5) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).
(6) Treasure Island Fiscal Analysis.
(7) Wage based on the average annual construction annual salaries reported for the San Francisco MSA by EDD.

Sources: Golden State Warriors and Economic & Planning Systems, Inc.

**Table A-10**
**Payroll and Payroll Tax Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumption | Total | Source |
|---|---|---|---|
| **On-site Payroll Tax** | | | |
| Pier 30-32 | | | |
| Multi-Purpose Venue (1) | | | |
| Full-time operations | $75,000 | $7,500,000 | EPS Estimate |
| Event staff (2) | $30,000 per year | $6,156,000 | EPS and GSW Estimate, $15/hr |
| Golden State Warriors | | | |
| Players | $4,733,333 per year | $71,000,000 | GSW |
| Other Staff (3) | $133,333 per year | $20,000,000 | EPS Estimate |
| Retail | $43,000 average annual wage | $15,050,000 | California Economic Development Department |
| Parking | $30,000 average annual wage | $70,000 | EPS Estimate |
| Subtotal | | $119,776,000 | |
| SWL 330 | | | |
| Residential | $43,300 average annual wage | $360,833.33 | California Economic Development Department |
| Hotel | $33,000 average annual wage | $5,280,000 | California Economic Development Department |
| Retail | $43,000 average annual wage | $4,873,333 | California Economic Development Department |
| Parking | $30,000 average annual wage | $22,222 | EPS Estimate |
| Subtotal | | $10,536,389 | |
| Total Wage | | $130,312,389 | |
| Wage Subject to Payroll Tax (4) | | $92,126,278 | |
| **Payroll Tax** | 1.5% of net payroll | **$1,381,894** | |
| **Off-site Payroll Tax Generation: Off-site Hotel and Parking Lot Impacts (5)** | | | |
| Hotel payroll tax | | $25,000 | |
| Parking payroll tax | | $900 | |
| **Total offsite payroll tax** | | **$25,900** | |
| **Payroll Tax from Indirect and Induced Economic Impacts (6)** | | | |
| Total Indirect and Induced Jobs | | 1,131 | |
| Tax per Job generated from direct employment (7) | | $816 | |
| **Total Indirect and Induced Payroll Tax** | | **$923,000** | |
| Project Construction | | | |
| Payroll Tax (temporary) (8) | $77,500 average annual wage | $3,046,520 | California Economic Development Department |

Table A-10 Notes

(1) Assumes 100 full-time workers with the remainder as part-time staff; part-time workers are converted into FTEs based on 205 annual Multi-Purpose Venue events assuming a typical 5-day 50-week work cycle.

(2) Reflects 500 employees in 6-hour shifts during the Warriors games and 280 employees in 6-hour shifts for all other events.

(3) Includes the Golden State Warriors non-staff franchise employment, such as trainers, coaches, doctors, scouts, and administration.

(4) Reflects 1/2 of the Warriors players' payroll due to home games and exempts the following employment categories which are anticipated to fall below the salary threshold for payroll tax application: multi-purpose venue, 1/2 hotel, and 1/2 parking.

(5) Throughout the report, visitor spending on hotel rooms and on Parking has been tracked. Consistent with this methodology, an estimate for the payroll tax associated with the employment supported at off-site hotel and parking locations through Multi-Purpose Venue-visitor expenditures is calculated. The calculations are based on the on-site calculations, scaled proportionate to the amount of spending captured off-site, relative to the on-site spending capture.

(6) The economic impact tables in appendix B detail the impact of the project on suppliers to the new Multi-Purpose Venue, Warriors Event Management/Team Operations Space, and retail space (called indirect effects) and the impact due to new employees' and residents' spending on goods and services (called induced effects). The estimated payroll taxes from these second rounds of spending are shown here.

(7) Tax per direct job is estimated based on all direct jobs, except the players.

(8) Based on the average annual construction annual salaries reported for the San Francisco MSA by EDD.

Sources: GSW and Economic & Planning Systems, Inc.

**Table A-11**
**Daily Parking Demand Estimate**
**Pier 30-32 Fiscal Feasibility Analysis**

| Events | Event Turnstile Attendance (1) | % Driving | Average per Car | Daily Demand | Annual Events | Annual Parking Space Demand |
|---|---|---|---|---|---|---|
| Basketball Games | 14,875 | 50% | 2.5 | 2,975 | 50 | 148,750 |
| Concerts | 11,700 | 50% | 2.8 | 2,089 | 45 | 94,018 |
| Other Sporting Events | 6,300 | 50% | 2.8 | 1,125 | 30 | 33,750 |
| Family Shows | 5,400 | 50% | 4.0 | 675 | 50 | 33,750 |
| Fixed Fee Rentals | 8,100 | 50% | 1.5 | 2,700 | 30 | 81,000 |
| Total | 1,972,250 | | | | 205 | 391,268 |

(1) Reflects 85% attendees relative to sold tickets for basketball games and 90% attendees for other events.

Sources: Golden State Warriors, Review of AT&T Park modal split survey (MTA); and Economic & Planning Systems, Inc.

**Table A-12**
**Parking Tax**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Assumption | Total |
|---|---|---|
| **Total Spaces On Site** | | |
| Pier 30-32 | | 630 |
| SWL330 | | 200 |
| Total | | 830 |
| **Parking Revenues On Site** | | |
| Pier 30-32 (1) | $20 per day | $2,453,850 |
| SWL330 (2) | $320 per month | $729,600 |
| Total | | $3,183,450 |
| **Spaces Off Site** | | |
| Annual Demand (spaces) (3) | | 268,575 |
| Total Parking Revenue | $16 per day | $4,297,206 |
| **San Francisco Parking Tax** | 25% of annual revenue | **$1,870,164** |
| (less) Existing Revenue (4) | | -$512,000 |
| **Net** | | **$1,358,164** |
| Parking Tax Allocation to General Fund/Special Programs | *20% of tax proceeds* | $271,633 |
| Parking Tax Allocation to Municipal Transp. Fund | *80% of tax proceeds* | $1,086,531 |

(1) Based on parking revenue of $20 a day net of taxes at 95% occupancy.
(2) Based on parking revenue of $320 a month net of taxes at 95% occupancy.
(3) Reflects parking demand generated by the Multi-Purpose Venue visitors only in excess of the capacity that is available at Pier 30-32; it is likely that additional revenue will be generated by parking demand resulting from other Project components, such as commercial space.
(4) Per Port of San Francisco information.

Sources: GSW and Economic & Planning Systems, Inc.

**Table A-13**
**Transient Occupancy Tax Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Estimating Factor | Total |
|---|---|---|
| **Overnight Attendees in San Francisco for Multi-Purpose Venue Events** | | |
| Events per Year | | 205 |
| Total turnstile attendance | | 1,972,250 |
| Potential Overnight Visitors (1) | | 310,500 |
| Net New Overnight Visitors (2) | 50% | 155,250 |
| Hotel Room Demand | 1.90 people per room | 81,711 |
| **Hotel Revenue On Site** | | |
| Hotel Rooms (3) | | 200 |
| Hotel room-nights during events | 205 event-nights per year | 41,000 |
| Gross Annual Hotel Room Revenue | $295 per room- night | $12,095,000 |
| **Hotel/Motel Revenue Off Site** | | |
| Additional Annual Room Night Demand by Multi-Purpose Venue Visitors | 40,711 off-site room nights | |
| Off Site Hotel/Motel Room Proceeds (4) | $188 per room- night | $7,649,508 |
| Total Annual Hotel/Motel Revenue from Project | | $19,744,508 |
| Total Hotel/Motel Tax Revenue | 14% of room revenue | $2,764,231 |
| **Hotel/Motel Tax** | | |
| Allocation to General Fund (5) | 53.5% of total tax | **$1,478,864** |
| Allocation to Cultural Amenities (6) | 46.5% of total tax | **$1,285,367** |

(1) Based on estimate of non-resident visitors from outside Bay Area as estimated by Strada Investment Group.
(2) Estimated share of potential room demand from visitors outside region, who may already have stayed in San Francisco, or may choose to stay elsewhere.
(3) Due to the proximity and enhanced marketing that can be done for the hotel on the SWL, the new hotel is assumed to be fully utilized on event nights. Hotel taxes from events are included here; note that the hotel will generate revenue during non-event days. To be conservative, revenues from non-event visitors are not included here.
(4) Reflects the 2011 Citywide average reported by PKF.
(5) Based on budget allocation (discretionary portion) between the General Funds and other funds FY09-10 Budget Letter, Controller's Office, Tb. 1-5, pg. 10).
(6) Include cultural equity endowment fund, culture centers, publicity/advertising events, and War Memorial.

Sources: City of San Francisco; Economic & Planning Systems.

**Table A-14**
**Stadium Admissions Tax**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | | Total |
|---|---|---|
| Annual Multi-Purpose Venue Paid Attendance (1) | | |
| Warriors Games | | 875,000 |
| Other Events | | 1,095,000 |
| Average Admission Tax (2) | | |
| Warriors Games | | $2.25 |
| Other Events | | $2.00 |
| **Total Annual Admission Tax** | | **$4,158,750** |
| General Fund | 67.9% | $2,823,791 |
| Recreation and Parks | 32.1% | $1,334,959 |

(1) Paid attendance; excludes fixed fee rental events.
(2) Reflects a range of ticket prices with "other events" assumed to have lower ticket values relative to the Warriors games; combines regular admission and supplemental admission tax.

Sources: City of San Francisco; Economic & Planning Systems.

**Table A-15**
**Gross Receipts Tax Estimates**
**Pier 30-32 Fiscal Feasibility Analysis**

| Item | Total Gross Receipts (GR) | GR Allocated to SF for GR Tax | Gross Revenue Tier *up to $1m* | *$1m - $2.5m* | *$2.5m - $25m* | *$25m+* | Gross Receipts Tax |
|---|---|---|---|---|---|---|---|
| Pier 30-32 On-Site Impacts | | | | | | | |
| Multi-Purpose Venue (1) | $89,190,000 | $89,190,000 | *0.285%* | *0.285%* | *0.300%* | *0.300%* | $207,000 |
| Golden State Warriors (2) | $120,000,000 | $73,186,813 | *0.300%* | *0.325%* | *0.325%* | *0.400%* | $274,000 |
| Retail | $47,250,000 | $47,250,000 | *0.075%* | *0.100%* | *0.135%* | *0.165%* | $72,000 |
| Parking | $2,453,850 | $2,453,850 | *0.075%* | *0.100%* | *0.135%* | *0.160%* | $2,100 |
| Subtotal | $258,893,850 | $258,893,850 | | | | | $555,100 |
| SWL 330 On-Site Impacts | | | | | | | |
| Retail | $10,200,000 | $10,200,000 | *0.075%* | *0.100%* | *0.135%* | *0.165%* | $12,500 |
| Parking | $729,600 | $729,600 | *0.075%* | *0.100%* | *0.135%* | *0.160%* | $0 |
| Hotel (3) | $14,514,000 | $14,514,000 | *0.300%* | *0.325%* | *0.325%* | *0.400%* | $47,000 |
| Subtotal | $25,443,600 | $25,443,600 | | | | | $59,500 |
| Off-Site Impacts | | | | | | | |
| Parking | $4,297,206 | $4,297,206 | *0.075%* | *0.100%* | *0.135%* | *0.160%* | $5,000 |
| Rent | | | | | | | |
| Pier 30-32 Retail | $4,410,000 | $4,410,000 | *0.285%* | *0.285%* | *0.300%* | *0.300%* | $13,500 |
| SWL 330 Retail | $1,428,000 | $1,428,000 | *0.285%* | *0.285%* | *0.300%* | *0.300%* | $4,100 |
| Subtotal | $10,135,206 | $10,135,206 | | | | | $22,600 |
| Total Gross Receipts | **$294,472,656** | $294,472,656 | | | | | **$637,200** |
| Off-site Hotel | $9,179,400 | $9,179,400 | *0.300%* | *0.325%* | *0.325%* | *0.400%* | $59,500 |
| Project Construction | | | | | | | |
| Total Development Value (4) | $1,015,506,506 | $1,015,506,506 | | | | | |
| Direct Construction Cost (5) | $700,000,000 | $700,000,000 | *0.300%* | *0.325%* | *0.400%* | *0.450%* | **$3,100,000** |

(1) Includes concessions and merchandise sales during events and ticket sales for non-Warrior games assuming an average ticket sale price of $30; Warriors ticket sales are captured under the Warriors revenues.
(2) Assumes that 61% of the maximum tax potential would be generated to the City given that players would not be subject to the tax for games played outside of San Francisco.
(3) Includes room revenue and other revenue, such as food and beverage sales, assumed at about 20% of room revenue.
(4) Construction cost estimates per GSW; includes soft costs (planning, design, etc.).
(5) Hard costs have not been estimated for the entire project; As a planning estimate, roughly 30% of costs are assumed to be planning and engineering costs.
Sources: City of San Francisco; Economic & Planning Systems.

# APPENDIX B:

## Economic Analysis

**Table 1**
**Net Adjusted Annual Economic Impacts**
**Pier 30-32/SWL 330 Economic Impact Analysis**

| Item | Total |
|---|---|
| **Ongoing Employment (1)** | |
| Direct | 1,712 |
| Indirect | 608 |
| Induced | 523 |
| **Total Employment** | **2,842** |
| **Annual Total Output** | **$476,884,000** |
| **One-Time Employment (Construction) (2)** | |
| Direct | 2,623 |
| Indirect | 1,110 |
| Induced | 1,278 |
| **Total Employment** | **5,011** |
| **Total Output (Construction)** | **$1,474,909,715** |

*Note: Table includes economic impacts generated by the Multi-Purpose Venue (MPV), other land uses on Pier 30-32 and SWL 330, and MPV visitors' spending in the City but away from the Project site.

Also, note that the totals are "net adjusted" meaning that the gross impacts - including direct, indirect, and induced impacts driven from the Project - have been adjusted to account for impacts that already occur in San Francisco, due to Oracle Arena's operations in Oakland. For example, visiting NBA basketball teams playing in Oakland often book hotel rooms in San Francisco. These types of impacts have been deducted from the gross impacts to arrive at a "net adjusted" number that estimates new impacts, due to a new MPV in San Francisco. See Appendix B for details on calculations.

(1) Reflects full-time employee equivalents (FTEs), including jobs generated by the Project on the Pier and SWL and off-site.

(2) Reflects FTE job-years.

Source: IMPLAN 2010; and Economic & Planning Systems.

**Table B-1**
**Summary of Annual Economic Impacts**
**Pier 30-32/SWL 330 Economic Impact Analysis**

| | | Gross Impacts | | | Adjusted Net Impacts | |
|---|---|---|---|---|---|---|
| **Entity/Land Use/Activity** | **Impact Type** | Jobs (FTEs) | Output | *Factor* | Jobs (FTEs) | Output |
| Warriors[1] | Direct | 165 | $120,000,000 | *100%* | 165 | $120,000,000 |
| | Indirect | 235 | $35,151,892 | *50%* | 118 | $17,576,000 |
| | Induced | 376 | $68,056,705 | *50%* | 188 | $34,028,000 |
| | **Total** | **776** | **$223,208,597** | | **470** | **$171,604,000** |
| Multi-Purpose Venue[2] | Direct | 305 | $89,190,000 | *85%* | 259 | $75,812,000 |
| | Indirect | 415 | $63,499,000 | *85%* | 353 | $53,974,000 |
| | Induced | 171 | $30,975,000 | *85%* | 145 | $26,329,000 |
| | **Total** | **891** | **$183,664,000** | | **757** | **$156,115,000** |
| Pier 30-32/SWL 330 Uses | Direct | 634 | $33,531,000 | *100%* | 634 | $33,531,000 |
| | Indirect | 56 | $10,697,000 | *100%* | 56 | $10,697,000 |
| | Induced | 96 | $17,564,000 | *100%* | 96 | $17,564,000 |
| | **Total** | **786** | **$61,792,000** | | **786** | **$61,792,000** |
| Visitor Spending, Offsite | Direct | 653 | $53,580,947 | *100%* | 653 | $53,580,947 |
| | Indirect | 81 | $16,649,278 | *100%* | 81 | $16,649,278 |
| | Induced | 94 | $17,142,424 | *100%* | 94 | $17,142,424 |
| | **Total** | **828** | **$87,372,649** | | **828** | **$87,372,649** |
| **Total Ongoing Impacts** | Direct | 1,757 | $296,301,947 | | 1,712 | $282,923,947 |
| | Indirect | 787 | $125,997,170 | | 608 | $98,896,278 |
| | Induced | 737 | $133,738,129 | | 523 | $95,063,424 |
| | **Total** | **3,281** | **$556,037,246** | | **2,842** | **$476,883,649** |
| **One-Time Impacts** | | | | | | |
| Construction | Direct | | | | 2,623 | $1,016,227,962 |
| | Indirect | | | | 1,110 | $227,640,207 |
| | Induced | | | | 1,278 | $231,041,546 |
| | **Total** | | | | **5,011** | **$1,474,909,715** |

[1] Indirect and induced impacts discounted 50% to reflect business and employee spending already occuring in SF.

[2] About 30% of MPV impact is estimated to be attributed to San Francisco residents; about half of this impact or 15% is netted out to reflect the shift from other entertainment uses.

Source: IMPLAN 2010; and Economic & Planning Systems.

**Table B-2**
**Team and Arena Employment and Revenue Assumptions**
**Pier 30-32/SWL 330 Economic Impact Analysis**

| Type of Operations | Employment | Gross Revenues |
|---|---|---|
| **Team Employment** | | |
| Players | 15 | - |
| Other Basketball Staff | 20 | - |
| Event Management/Team Operations Space | 130 | - |
| **Total** | **165** | **$120,000,000** |
| **One-Time Employment (Construction) (2)** | | |
| Full-time Employment | 100 | - |
| Event-specific (part-time) | 280-500 | - |
| **Total** | **380-600** | |
| Event-specific, FTEs[1] | 205 | - |
| **Total Employment, FTEs** | **305** | **$89,190,000** |

[1] Conversion of part-time workers to FTEs assumes, 6 hours per event, 40 hours/week per FTE, and 50 work weeks per year.

Sources: Strada Investment Group; and Economic & Planning Systems, Inc.

**Table B-3**
**Other Onsite Land Use, Employment and Revenue Assumptions**
**Pier 30-32/SWL 330 Economic Impact Analysis**

| Location | Land Use | | Gross Sq. Ft. | Sq. Ft. per Employee | Total Jobs | Employment Distribution by Retail Subsector[1] | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *General Merchandise* | *Food & Beverage* | *Health & Personal Care* | *Sporting Goods, Hobby, Book & Music* |
| Pier 30-32 | Retail | | 105,000 | 300 | 350 | 88 | 88 | 88 | 88 |
| SWL 330 | Neighborhood Retail | | 34,000 | 300 | 113 | 28 | 28 | 28 | 28 |
| | **Subtotal** | | **139,000** | | **463** | **116** | **116** | **116** | **116** |
| | | Units/Rms/ Spaces | | Units per Employee | | | | | |
| SWL 330 | Residential | 125 | 125,000 | 15 | 8 | | | | |
| SWL 330 | Hotel | 200 | 125,000 | 1.25 | 160 | | | | |
| Pier 30-32 & SWL 330 | Parking | 825 | 313,000 | 270 | 3 | | | | |
| | **Total Jobs** | | | | **634** | | | | |

[1] Assumes an even distribution of employment across the four types of retail anticipated at the Project.

Sources: City of San Francisco; Strada Investment Group; and Economic & Planning Systems, Inc.

**Table B-4**
**Visitor Spending Assumptions and Calculations[1]**
**Pier 30-32/SWL 330 Economic Impact Analysis**

| Expenditure Category | *Assumptions* | Basketball Games | Concerts | Other Sporting Events | Family Shows | Fixed Fee Rentals | Annual Total |
|---|---|---|---|---|---|---|---|
| **Parking** | | | | | | | |
| Onsite Spaces | *630* | 31,500 | 28,350 | 18,900 | 31,500 | 18,900 | 129,150 |
| Onsite Spaces Used/Event | *95% utilization* | 29,925 | 26,933 | 17,955 | 29,925 | 17,955 | 122,693 |
| Onsite Parking Revenues | *$20/space* | $598,500 | $538,650 | $359,100 | $598,500 | $359,100 | $2,453,850 |
| Offsite Space Demand | | 118,825 | 67,085 | 15,795 | 3,825 | 63,045 | 268,575 |
| Offsite Parking Revenues | *$16/space* | $1,901,200 | $1,073,366 | $252,720 | $61,200 | $1,008,720 | $4,297,206 |
| **Lodging** | | | | | | | |
| Outside Bay Area Visitors | *100%* | 22,313 | 52,650 | 37,800 | 27,000 | 170,100 | 309,863 |
| % Overnighters[2] | 67% | 14,875 | 35,100 | 25,200 | 18,000 | 113,400 | 206,575 |
| Less Existing Demand[3] | *25%* | (3,719) | (8,775) | (6,300) | (4,500) | (28,350) | (51,644) |
| Net New Demand | | 11,156 | 26,325 | 18,900 | 13,500 | 85,050 | 154,931 |
| Avg. Party Size | *1.9* | | | | | | |
| Hotel Room-Nights Demand | | 5,872 | 13,855 | 9,947 | 7,105 | 44,763 | 81,543 |
| Less Pier 30-32 room-nights[4] | *200 rooms* | (10,000) | (9,000) | (6,000) | (10,000) | (6,000) | (41,000) |
| Offsite Room-Nights Demand | | (4,128) | 4,855 | 3,947 | 0 | 38,763 | 43,438 |
| **Net Hotel Spending Offsite** | *$188/room* | **($775,706)** | **$912,304** | **$741,711** | **$0** | **$7,283,597** | **$8,161,906** |
| **Food and Beverage** | | | | | | | |
| Total $$ per Visitor in SF | *$47/person/day* | $24,313,188 | $14,752,530 | $6,178,410 | $8,826,300 | $10,213,290 | $64,283,718 |
| Less Existing Demand[3] | *25%* | ($6,078,297) | ($3,688,133) | ($1,544,603) | ($2,206,575) | ($2,553,323) | ($16,070,929) |
| Less F&B Concessions | | ($6,039,250) | ($1,866,150) | ($781,550) | ($1,116,500) | ($1,291,950) | ($11,095,400) |
| **Net Spending rest of City** | | **$12,195,641** | **$9,198,248** | **$3,852,258** | **$5,503,225** | **$6,368,018** | **$37,117,388** |
| **Retail** | | | | | | | |
| Total $$ per Visitor in SF | *$36/person/day* | $18,789,082 | $11,400,665 | $4,774,637 | $6,820,911 | $7,892,768 | $49,678,063 |
| Less Existing Demand[3] | *25%* | ($4,697,271) | ($2,850,166) | ($1,193,659) | ($1,705,228) | ($1,973,192) | ($12,419,516) |
| Less Merchandise Concessions | | ($5,206,250) | ($1,608,750) | ($673,750) | ($962,500) | ($1,113,750) | ($9,565,000) |
| Less Pier 30-32 Retail[5] | | ($6,254,762) | ($3,795,206) | ($1,589,445) | ($2,270,636) | ($2,627,450) | ($16,537,500) |
| **Net Spending rest of City** | | **$2,630,800** | **$3,146,542** | **$1,317,783** | **$1,882,547** | **$2,178,375** | **$11,156,047** |
| **Total Annual Visitor Spending, Gross** | | $47,073,029 | $31,236,416 | $14,057,015 | $18,087,016 | $30,688,541 | $141,142,016 |
| Total Spending, net of Existing Demand | | $35,929,697 | $23,830,316 | $10,695,716 | $13,730,187 | $23,358,361 | $107,544,276 |
| Total Spending, Onsite | | $19,977,762 | $9,499,856 | $4,531,245 | $6,827,136 | $6,519,650 | $47,355,650 |
| **Total Visitor Spending, Offsite[6]** | | $15,951,935 | $14,330,459 | $6,164,471 | $7,446,972 | $16,838,710 | $60,732,547 |

[1] Does not include spending on game and event ticket purchases.
[2] Assumes that two-thirds of visitors outside the Bay Area spend a night in the City; coupled with a 25% assumption for net new visitors (see below) implies that 50% of Outside Bay Area visitors generate net new demand for hotel room-nights.
[3] Assumes that at least 25% of non-local attendees would still have visited the City without the MPV, so only 75% are assumed to represent new demand.
[4] Assumes 100% occupancy on event days.
[5] Assumes that non-local visitors account for approximately 35% of onsite retail sales (i.e. total visitors account for 50% of onsite sales and 70% are non-local visitors).
[6] Total spending is greater than direct output in Table B-1 because gross retail sales are adjusted for margins to derive direct output.

Source: Strada Investment Group; SFTA Travel Research; and Economic & Planning Systems, Inc.

# APPENDIX C:

## Conceptual Framework

# CONCEPTUAL FRAMEWORK FOR PIERS 30-32 GROUND LEASE AND SEAWALL LOT 330 CONVEYANCE

(Proposed Rehabilitation of Piers 30-32 and Development of a Public Assembly Venue Useable for Conventions, Warriors Home Games, Performing Arts, and Other Purposes, and Related Improvements, Including Public Open Space and Waterfront and Maritime Access Improvements)

This Conceptual Framework, dated for convenience of reference as of October 23, 2012, is made with reference to the Exclusive Negotiation Agreement dated as of August 15, 2012 (as such agreement may be amended, the "ENA"), between the City and County of San Francisco (the "City"), acting by and through its San Francisco Port Commission (the "Port"), and GSW Arena LLC, a Delaware limited liability company ("GSW"). As used in this Conceptual Framework, the term "GSW" includes an affiliate as described in section 1 below. Subject to the conditions provided for in this document, this Conceptual Framework sets forth the basic financial principles and terms on which the City, including its Port, and GSW will negotiate agreements for the proposed project referred to above and described in more detail below. In particular, this Conceptual Framework:

- is intended to facilitate the San Francisco Board of Supervisors' consideration of a finding that the Project (as defined below) is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), consistent with the milestone for such action set forth in the ENA, and this Conceptual Framework accompanies the preliminary fiscal feasibility report that Economic and Planning Systems, Inc., an independent real estate economics firm, with the assistance of the sports economics firm Barrett Sports Group LLC, prepared on behalf of the City, and submitted to the Board of Supervisors in connection with the proposed Fiscal Feasibility Finding (the "Fiscal Feasibility Report");

- is based on a recent independent MAI appraisal of the fair market value to the Port of a long-term ground lease of the Waterfront Site and a conveyance of title to (or possibly a long-term ground lease of) the Seawall Lot Site that comprises the remainder of the Site (as such initially capitalized terms are defined below) entitled "Appraisal of Seawall Lot 330, Piers 30–32, San Francisco, California" prepared by Carneghi-Blum & Partners, Inc. and dated September 28, 2012 (the "Appraisal");

- will form the basis for a Term Sheet as contemplated by the ENA (with the deadline for endorsement extended as referred to below), following negotiations built on an analysis of a financial pro forma for the Project; and

- along with any attached or underlying documents is not intended to be, and will not become, contractually binding unless and until the City, including its Port, and GSW execute and deliver the Transaction Documents described below, subject to the conditions of the ENA.

The proposed project consists of two related components, on separate Port parcels. The first part of the proposed project involves GSW's rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose venue with seating for approximately 17,000 to

19,000 persons, capable of being used as an event venue and for other public assembly uses, including for conventions, Golden State Warriors' home games, performing arts, and other purposes, along with public open space, parking facilities, visitor-serving retail, maritime use, and other related uses, on Piers 30-32 (the "Waterfront Site"). GSW would finance, build and operate these improvements under a fair market rent ground lease from the Port, and expects to complete them by the Fall of 2017.

The second part of the proposed project includes construction by GSW of improvements on the portion of Seawall Lot 330 owned by the Port (i.e., all of Seawall Lot 330 except for the parcel at the corner of Beale and Bryant Streets that is part of the Watermark development), located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"). The Port would convey fee title to the Seawall Lot Site to GSW for fair market value consideration if certain conditions are met; otherwise, the Port would enter into a ground lease with GSW for fair market rent consideration for the Seawall Lot Site. This Conceptual Framework addresses only the preferred alternative of conveyance of fee title to the Seawall Lot Site (the Term Sheet may address both alternatives, as appropriate). GSW plans to build residential, hotel, and/or retail uses and accessory parking on the Seawall Lot Site. The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project are collectively referred to in this Conceptual Framework as the "Project." The Waterfront Site and the Seawall Lot Site are collectively referred to in this Conceptual Framework as the "Site."

The Waterfront Site is subject to the use and other restrictions imposed under the Burton Act (Stats 1968, Ch. 1333, as amended) and the Burton Act Transfer Agreement of January 24, 1969, as well as the public trust for commerce, navigation and fisheries (collectively, the "public trust"). AB 1389 (Stats. 2001, Ch. 489) allows certain uses on the Waterfront Site that would otherwise be inconsistent with the public trust in connection with development on Piers 30-32 of a two-berth cruise ship terminal project that meets certain requirements. The Port is developing a cruise ship terminal at another pier so AB 1389 would not now seem to apply to the Project, though the Port and GSW are committed to exploring improvements to the Waterfront Site for maritime uses.
The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418.

The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and the San Francisco Bay Conservation and Development Commission ("BCDC") adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the public trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on public trust lands at this location. The Special Area Plan sets forth certain design considerations for the Waterfront Site, including strict limitations on new fill and a requirement to provide maximum feasible public access.

A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access.

The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and two separate attempts to develop the proposed mixed use Bryant Street Pier project through public-private partnerships. In each of those instances, the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure.

The Waterfront Site has a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. If the piers are not rehabilitated, the Port may be required to expend substantial sums to demolish the piers after the end of their useful life. The Port has not identified sufficient funding to improve–or demolish–the piers in the Plan of Finance for its 10-Year Capital Plan, due to limited Port resources and competing Port priorities. The Port's efforts over the years to develop the Waterfront Site through public-private partnerships have not been successful. The costs to rehabilitate the piers for any long-term use is estimated to far exceed the combined fair market value of the Waterfront Site and Seawall Lot Site. The Appraisal shows that rehabilitating the piers and developing the highest and best use on the Waterfront Site is not financially feasible without dedication of the proceeds from the sale of the Seawall Lot Site and an additional significant subsidy to cover the pier substructure costs.

The Waterfront Site is an extraordinary location for the proposed public assembly venue and affords a number of advantages for the City, the region and the public over other potential sites, including other Port land to the south of the Waterfront Site. First and foremost, the Waterfront Site is optimal for locating the venue in light of the existing transit, bicycle and pedestrian network, as well as planned improvements to that network. Regional destinations such as the proposed venue achieve their best transit mode splits when they are located within walking distance from regional transit hubs. The Waterfront Site is located at a distance of 3/4 mile or less from all major regional transit hubs in downtown San Francisco, including BART, Caltrain, the Ferry Building, the Transbay Terminal, and the Capitol Corridor, and for the bulk of Muni Metro and bus lines serving these same hubs (including an adjacent Muni Metro station at Brannan Street serving two metro lines). The walk from these hubs along the Embarcadero is short, free of traffic conflict and pleasant. These features make the Waterfront Site a remarkably accessible location that can be reached fairly effortlessly, with a minimum of transfers, by visitors from all nine Bay Area counties. The other possible locations for the venue do not afford nearly the same level of advantages within the transit network.

Second, the Project provides an appropriate public use that will permit rehabilitating the Waterfront Site, which is nearing the end of its useful life. Developing the Project at the Site provides the best opportunity for activating the Waterfront Site for maritime and other uses in a manner consistent with the public trust and the goals and objectives of the Waterfront Plan and BCDC's Special Area Plan.

Third, the adjacency of the Seawall Lot Site to the Waterfront Site improves the success and economic feasibility of the Project overall by allowing cross-subsidies and complementary development that will transform the Site from an underutilized surface parking lot to a thriving and

active visitor serving destination. These key Port objectives would not be accomplished by locating the facility in an area farther south.

By Resolution No. 236-12 adopted unanimously on June 12, 2012, the Board of Supervisors found that the potential real estate transactions involving the Waterfront Site and the Seawall Lot Site to rehabilitate Piers 30-32 and develop a multi-purpose event venue and related facilities would generate substantial public benefits for the City, including its Port, such as: (1) the repair, improvement and productive reuse of the Waterfront Site, (2) the construction of needed infrastructure improvements that benefit the Site and the surrounding public trust lands and other areas, (3) the generation of significant new jobs and economic development in a short period, including significant opportunities for local residents, (4) the attraction of many people from the City and all over the region to enjoy the waterfront and the Bay and to patronize businesses on the Site as well as other Port land and privately owned property in the vicinity of the Site, and (5) the enhancement of the City's tourism industry, including providing an additional venue for trust related events, conventions, sporting events, concerts and other special events. By Resolution No. 12-50 unanimously adopted by the Port Commission on June 12, 2012, the Port Commission made the same findings.

The basic financial principles and terms set forth in this Conceptual Framework will be subject to further negotiation between the parties consistent with the ENA, to develop a Term Sheet that will be subject to endorsement of the Port Commission and the Board of Supervisors. And ultimately, subject to required approvals, the terms and conditions contained in the Term Sheet will be set forth in more detail in the final transaction documents among GSW, the Port, the City and other entities, as applicable, summarized in section 4 below (collectively, the "Transaction Documents").

The Term Sheet and the Transaction Documents will be consistent with Board of Supervisors Resolution No. 236-12 and with Port Commission Resolution 12-50, both approving sole source negotiations with GSW for the Project, and with the ENA.

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| 1. | Parties | Port: City and County of San Francisco (the "City"), acting by and through its Port Commission.<br><br>GSW: GSW Arena LLC, a Delaware limited liability company (and/or any affiliate of GSW Arena LLC, or a third party, in each instance approved by the Port or meeting net worth and/or other qualifications negotiated as part of the Term Sheet and Transaction Documents). GSW Arena LLC is a wholly owned subsidiary of GSW Sports LLC. Golden State Warriors, LLC (the "Team Owner") is also a wholly owned subsidiary of GSW Sports LLC. The Team Owner owns and operates the "Golden State Warriors" NBA franchise. |
| 2. | Site | The Site consists of these two properties:<br><br>The Waterfront Site: Piers 30-32, consisting of an approximately |

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|---|---|---|
| | | 553,778 square foot (about 13 acre) pile-supported structure along the Embarcadero roadway as depicted on Exhibit A-1.<br><br>The Seawall Lot Site: Approximately 101,330 square foot (about 2.3 acre) portion of Seawall Lot 330 that fronts the Embarcadero roadway and is bounded by Beale and Bryant Streets as depicted on Exhibit A-2. |
| 3. | Project Description | The Project includes the following proposed elements, all as further described in Exhibit B, and subject to refinements through the public review process and the Term Sheet negotiation process:<br><br>Waterfront Site Improvements:<br><br>• Seismic retrofit and rehabilitation of Piers 30-32 to preserve this unique waterfront resource and support the proposed uses.<br>• State-of-the art multi-purpose venue, with a foot print of approximately 170,000 square feet, containing a total of approximately 700,000 square feet of space, and having a height of approximately 135 feet. The venue would be capable of seating approximately 17,000–19,000 persons.<br>• The multi-purpose venue would be used for conventions, Warriors home games, performing arts, exhibitions, public ceremonies, other special events, and other similar purposes.<br>• A practice facility and training areas of approximately 21,000 square feet and event management and team operations support space of approximately 40,000 square feet, in connection with the multi-purpose venue.<br>• A multi-use community room on the northeast corner of Piers 30-32 containing approximately 10,000 square feet of space.<br>• Visitor serving retail and restaurant uses totaling approximately 105,000 square feet. Those uses would mainly be in buildings along the Embarcadero that are approximately 60 feet high–no higher than the Piers 26 and 28 bulkheads, as well as in the multi-purpose venue.<br>• Dedicated public open spaces and waterfront access comprising at least 50% of the Waterfront Site, including public access along the entire perimeter of Piers 30-32 and along a pier segment created in part by removing part of the deck at the piers' southeast corner, and other new public open spaces integrated into the improvements to the Waterfront Site.<br>• Parking facilities of approximately 275,000 square feet (approximately 630 spaces), located on the pier deck but with the spaces covered and situated underneath the new open space and other surface improvements.<br>• Maritime uses on all three Bay sides of Piers 30-32, including possibly (subject to further analysis as to financial feasibility): (i) a |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | new facility for the City's fireboats on the north part of the pier, (ii) ferry stop and boat docking on the north side of the pier, (iii) recreational water sports access, such as a public kayak launch area, guest docks and a possible water taxi stop, on the south side of the pier, and (iv) berthing for boats on the east side of the pier, including periodic, temporary berthing for deep draft vessels (again subject to further financial analysis as to feasibility).<br>• Preservation of Red's Java House on the Waterfront Site.<br><br><u>Seawall Site Improvements (preliminary plan)</u>:<br><br>• Two buildings, with heights of up to approximately 150 feet.<br>• Residential use, consisting of up to approximately 140,000–160,000 square feet (100-130 units).<br>• Hotel use, consisting of up to approximately140,000–160,000 square feet (220-250 rooms). Mix of hotel and residential use to be determined.<br>• Retail use of approximately 33,000 square feet.<br>• Accessory parking use of approximately 105,000 square feet (in the range of 195-300 spaces). |
| 4. | Transaction Documents | The parties anticipate that the primary Transaction Documents will consist of:<br><br>• a Disposition and Development Agreement between the Port and GSW for the Site (DDA)<br>• a Ground Lease between the Port and GSW for the Waterfront Site<br>• a Purchase and Sale Agreement between the Port and GSW for the Seawall Lot Site (or Ground Lease, if conditions to sale are not feasible)<br>• a Sublease between GSW and the Team Owner, for use of the multi-purpose venue<br>• Such other appropriate agreements as the parties may negotiate through the ENA process, which may include an agreement between GSW and SF Travel governing convention use of the event venue at the Waterfront Site. |
| 5. | Financial Responsibility for Construction of Improvements, including Pier Substructure Rehabilitation, and Other Public Improvements | GSW will construct all Site improvements for the Project at no cost to the City, including its Port, subject to reimbursement for pier substructure improvement costs on the Waterfront Site and possibly other public improvements as described in this section below.<br><br><u>Reimbursement for Pier Substructure Costs</u>: The parties recognize that the costs to rehabilitate Piers 30-32 will substantially exceed the appraised fair market rental value from the Waterfront Site and the fair market sale value of the Seawall Lot Site. GSW will be reimbursed for |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | its actual and verifiable costs of seismically retrofitting and rehabilitating the piers to provide waterfront public access and support the other uses proposed for the Project, and of removing any fill in or about the Waterfront Site that is part of the Project (collectively, "Pier Substructure Costs"), up to $120,000,000 (the "Maximum Reimbursement Amount"), plus the Annual Cost Return described below.<br><br>Such reimbursement will be made through three sources of funds: (1) the Rent Credits due under the Waterfront Site Ground Lease as described in section 6 below; (2) the Seawall Lot Purchase Credit as described in section 7 below; and (3) proceeds of Net Available Property Tax Increment generated from the Site under an IFD as described in section 8 below. The reimbursement for Pier Substructure Costs will include a market return on cost of 13% per year (the "Annual Cost Return"), which reflects the timing and risk of GSW getting repaid for its recognized expenditures, net of the Seawall Lot Purchase Credit described in clause (2) above. The Annual Cost Return will begin when GSW incurs the recognized expenditure and will continue to apply to such expenditure until GSW is repaid as provided above. The Annual Cost Return will not count against the Maximum Reimbursement Amount.<br><br>GSW's conceptual design for the work that is subject to such reimbursement will be subject to the Port's prior approval generally consistent with other Port DDAs of commercial projects of similar scale, which approval will not be unreasonably withheld or delayed. If through such approval process the Port requests revisions to GSW's conceptual design that would materially increase the Pier Substructure Costs, then the Maximum Reimbursable Amount stated above will be increased in connection with the negotiations of the Term Sheet and the Transaction Documents to reflect such increased costs.<br><br><u>Possible Reimbursement for Additional Waterfront Infrastructure Costs</u>: The parties anticipate that the total Pier Substructure Costs will be substantially greater than the Rent Credits and the Seawall Lot Purchase Credit referred to above, and that Net Available Property Tax Increment from the IFD referred to above will make up the difference. If the Pier Substructure Costs turn out to be less than the Maximum Reimbursement Amount, and if there is excess Net Available Tax Property Increment after allocating Net Available Property Tax Increment from the IFD to the reimbursement of the Pier Substructure Costs, then GSW may receive an additional reimbursement for actual and verifiable costs for waterfront public access and maritime improvements that are included as part of the Project to satisfy regulatory requirements and comply with the public trust (the |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | "Additional Waterfront Infrastructure Costs"). The terms and conditions for reimbursing any such Additional Waterfront Infrastructure Costs will be subject to negotiation between the parties as part of the Term Sheet and final Transaction Documents. The source for any agreed-upon reimbursement for Additional Waterfront Infrastructure Costs will be limited to the amount of excess Net Available Property Tax Increment from the IFD, that is, the extent to which such increment exceeds the amount of Net Available Property Tax Increment needed to reimburse GSW for Pier Substructure Costs, as described above. But in no event will the total reimbursement for Pier Substructure Costs together with any Additional Waterfront Infrastructure Costs, from all of the permitted sources described in this section, exceed the Maximum Reimbursable Amount.<br><br><u>Possible Reimbursement for City Facilities</u>: Also, GSW may construct other mutually agreed-upon public improvements on the Waterfront Site, which may include public amenities and maritime facilities that the City or its Port would use and control ("City Facilities"), subject to applicable City contracting requirements and on terms and conditions as the parties may agree through negotiations on the Term Sheet and final Transaction Documents. For instance, City Facilities may include a facility for berthing the City's fireboats and housing related support facilities. For any such City Facilities, the City or Port will, in addition to reimbursement for Pier Substructure Costs (and Additional Waterfront Infrastructure Costs, if applicable), reimburse GSW for the cost of building them on terms to be negotiated; provided that the costs of any such City Facilities will not count toward the Maximum Reimbursable Amount described above. In no event will Rent Credits, the Seawall Lot Purchase Credit or any other funds or assets of the Port serve as a source to reimburse the costs of any non-maritime City Facilities to the extent that the City (as opposed to its Port) uses and controls them. |
| 6. | Waterfront Site Ground Lease: Basic Financial Terms | Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of commercial projects of similar scale, the Port will deliver a leasehold interest to GSW in the Waterfront Site in its as is physical condition. The term of the lease will be 66 years, including any and all extension options.<br><br><u>Base Rent</u>: GSW will pay the Port fair market rent, based on the appraised value of $1,970,000 per year, with CPI and/or other market adjustments to rent to be negotiated, and subject to the Rent Credits described in this section below; provided, however, from the closing of the Ground Lease and until the improvements on the Waterfront Site are completed, GSW will pay, again subject to the Rent Credits, a reduced construction period rent equal to the total revenues that the |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | Port currently receives from existing leases at the Waterfront Site, of about $1,060,000 per year. In the negotiations for the Term Sheet and the Transaction Documents, the parties may explore having the Ground Lease provide for prepayment of all or a portion of the rent.<br><br>Rent Credits: GSW will receive credits against rent due under the Ground Lease, including base rent (including construction period rent) and any participation rent as described below (the "Rent Credits") until GSW is reimbursed for the Pier Substructure Costs and any Additional Waterfront Infrastructure Costs, all as generally described in section 5 above (including the agreed-upon return on costs).<br><br>Participation Rent: In addition to base rent, GSW will pay to the Port participation rent based on an agreed-upon percentage of net revenues from specified Project sources and uses, after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above. Similarly, GSW will pay the Port participation rent based on an agreed-upon percentage of net proceeds of sale arising from non-affiliate transfers and refinancings, again in each instance after GSW is paid back for its Pier Substructure Costs, together with any Additional Waterfront Infrastructure Costs and the costs for any City Facilities, as generally described in section 5 above.<br><br>Triple Net: The Ground Lease will be triple net, with GSW responsible for all taxes, assessments, and expenses, without offset or deduction of rent of any kind other than the Rent Credits. GSW will be responsible for operating, maintaining and repairing all Project facilities on the Waterfront Site (including, but not limited to, the pier substructure and public access areas), all at no cost to the City or its Port (except for any City Facilities, which the City or its Port use and control as provided in section 5). |
| 7. | Seawall Lot Site Conveyance: Basic Financial Terms | Subject to conditions to closing to be set forth in the DDA and that are consistent with other closing conditions for Port DDAs of projects of similar scale, the Port will convey fee title to the Seawall Lot Site in its as is physical condition to GSW. The Port will convey fee title to the Seawall Lot free of the public trust, subject to satisfaction of required state statutory conditions. The Transaction Documents will require the Port to use its reasonable best efforts to satisfy those conditions, at no cost to GSW.<br><br>Purchase Price: The Port will convey the Seawall Lot Site for its appraised fair market value of $30,400,000, subject to a mutually agreed-upon CPI adjustment at the time of the closing. (The appraised purchase price is subject to review and approval by the State Lands |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | Commission.)<br><br>Credit for Purchase Price Against Waterfront Site Rent: In lieu of paying cash to the Port to acquire the Seawall Lot Site, GSW may, in addition to the Rent Credits under the Waterfront Site Ground Lease described in section 6, apply the purchase price as a credit against the Pier Substructure Costs (the "Seawall Lot Purchase Credit") as referenced in section 5 above, so long as GSW provides a suitable financial or other appropriate means of binding written assurance that it will complete the pier rehabilitation work, on terms satisfactory to the parties and in compliance with any applicable state statutory requirements for conveyance, including SB 815 and AB 418.<br><br>Transfer Fees: The Purchase and Sale Agreement will require, as part of the consideration to the Port for the sale, GSW to record a transfer fee covenant against the Seawall Lot Site (binding on GSW and all successors) that will provide the Port with a recurring transfer fee of 1.0% on the net proceeds from (i) sales of individual residential condominium units after (but not including) the first sale, and (ii) sales or other conveyances to non-affiliates of any commercial condominium parcels after (but not including) the first sale, all on terms and conditions to be further negotiated. The transfer fees payable to the Port will be excluded from the Seawall Lot Purchase Credit, and thus will not be a source for reimbursement for the Pier Substructure Costs or any Additional Waterfront Infrastructure Costs. |
| 8. | Infrastructure Financing District (IFD) | Subject to required approvals to form an IFD that includes the Site (as described in section 2 above), and based on the premises that (i) but for the allocation of IFD proceeds the Project would not be feasible, (ii) the Project is anticipated to generate significant net fiscal benefits to the City (as shown by the Fiscal Feasibility Report) and (iii) but for the Project, the property tax increment from the Waterfront Site to support the IFD proceeds would not exist, GSW will receive a pledge of net available property tax increment revenue generated by the Project from an IFD for the Site, on terms and conditions to be mutually agreed-upon ("Net Available Property Tax Increment"). The pledge of Net Available Property Tax Increment may be made available to GSW on a pay-as-you-go basis, or through the issuance of bonds or other debt, on terms and conditions as the parties may negotiate consistent with the following principles.<br><br>Net Available Property Tax Increment: Net Available Property Tax Increment shall consist solely of the City's share of available IFD tax increment from the Site, that is the share of property tax growth that the City would receive from the Site as a result of the Project, for up to the statutorily allowed period after the IFD is created. The IFD for the Site |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| | | may be a designated project area within an IFD that includes other Port property (a "Port-wide IFD"). No tax increment for the benefit of schools or other taxing entities will be pledged under the IFD or otherwise be made available for the Project or infrastructure related to the Project. No increment from other Port property in any Port-wide IFD will be imported to pay for Project infrastructure. The parties may agree to mechanisms to enhance security for IFD debt. Any IFD debt will be secured solely by Net Available Property Tax Increment in the IFD and will not have any recourse to the City's General Fund or to the Port Harbor Fund.<br><br>To the extent permitted by law, the Net Available Property Tax Increment will be used to reimburse GSW for Pier Substructure Costs, any Additional Waterfront Infrastructure Costs and any City Facilities as further described in section 5 above, all on terms and conditions that the parties will negotiate as part of the Term Sheet and Transaction Documents.<br><br>Bond Assurances: The Transaction Documents will include appropriate assurances relating to payment of property taxes that support IFD bonds that may be issued for the Project (including possible downward adjustments in the assessed value of the Project) to help ensure that the district can service any such IFD bonds and maintain any required debt coverage.<br><br>CFD Financing: To increase the efficiency of the proposed IFD financing, the parties will explore establishing a Mello-Roos Communities Facilities District ("CFD") comprising the Site to finance the Pier Substructure Costs and City Facilities or other mutually agreed-upon public improvement costs at the Waterfront Site for the Project, with Net Available Property Tax Increment from the IFD pledged to take out or service the CFD debt. Also, the parties will endeavor to structure any IFD debt and any CFD debt as tax-exempt in accordance with applicable tax laws. |
| 9. | Contribution of Funds to Pay for Quality of Life Services | As part of their negotiations, and taking into account the projected net fiscal benefits to the City's General Fund from the Project, the parties will explore incorporating into the Term Sheet and then the Transaction Documents one or more mutually agreeable financing mechanisms to fund City costs associated with neighborhood quality of life improvement measures to address effects from use of the multi-purpose venue. Such improvement measures may include, by way of example, cleaning sidewalks and building facades, maintaining street trees, cleaning litter, installing wayfinding signs, providing traffic and parking control and enhanced security services, and furnishing any such other services as the parties may mutually identify and agree. |

| Section | Provision | Summary of Principles and Terms |
|---|---|---|
| 10. | Revenues from Existing Leases | The Port will be entitled to all revenues from the existing leases on the Waterfront Site and the Seawall Lot Site through the closing under the DDA; commensurate with its obligation to start paying rent under the Ground Lease, GSW will be entitled to any such revenues on and after the closing should such tenancies continue after the closing. GSW will be responsible for incorporating Red's Java House into the Project, at no cost to the City, including its Port, on terms to be negotiated. |
| 11. | Development Impact Fees | GSW will pay to the City all applicable development impact fees relating to developing the Project. The Transaction Documents, including the allocation of responsibility for any applicable mitigation and neighborhood improvement measures, will take into account GSW's payment of those fees to avoid double-charging. The parties will explore allowing GSW to defer paying applicable development impact fees until issuance of a certificate of occupancy, on terms and conditions generally consistent with the City's current fee deferral program (which is scheduled to sunset in July 2013). Also, if the Eastern Neighborhoods Infrastructure Impact Fee applies to development of the Improvements on the Seawall Lot Site, then that fee may be offset by GSW's construction of additional public improvements through an in-kind agreement with the Planning Department, subject to the Planning Commission's approval of such agreement in its sole discretion. |

The ENA has been amended to extend the deadline for endorsement of the Term Sheet by the Port Commission to February 1, 2013 and the Board of Supervisors to February 15, 2013.

Under the San Francisco Charter, no officer or employee of the City, including its Port, has authority to commit the City to the proposed Project unless and until the San Francisco Port Commission, Planning Commission, Board of Supervisors and Mayor have approved the City entitlements for the Project and related Transaction Documents. While this Conceptual Framework summarizes certain basic financial principles and terms for the Project, it is not intended to be, and will not become, contractually binding on the City, including its Port, or GSW. Accordingly, consistent with the foregoing and subject to the provisions of the ENA, no legal obligation will exist regarding the transactions described in this Conceptual Framework, unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the environmental review process under the California Environmental Quality Act (CEQA) and other public review and hearing processes and subject to all applicable governmental permits and approvals.

Before entering into final Transaction Documents, the City, including its Port, retains the absolute discretion to (a) make modifications to the proposed Project and any proposed agreements as are deemed necessary to mitigate significant environmental impacts, (b) select other feasible alternatives to avoid such impacts, (c) balance benefits against unavoidable significant impacts before taking final action if such significant impacts cannot otherwise be avoided, or (d) determine

not to proceed with the proposed Project based upon the information generated by the environmental review process. Also, before entering into final Transaction Documents, GSW retains the absolute discretion to make modifications to the proposed Project and to determine not to proceed with the proposed Project, subject to the terms and conditions of the ENA.

GSW: GSW ARENA LLC,
a Delaware limited liability company

By: _____
Rick Welts
President

Date: _____, 2012

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Edwin M. Lee
Mayor

Date: _____, 2012

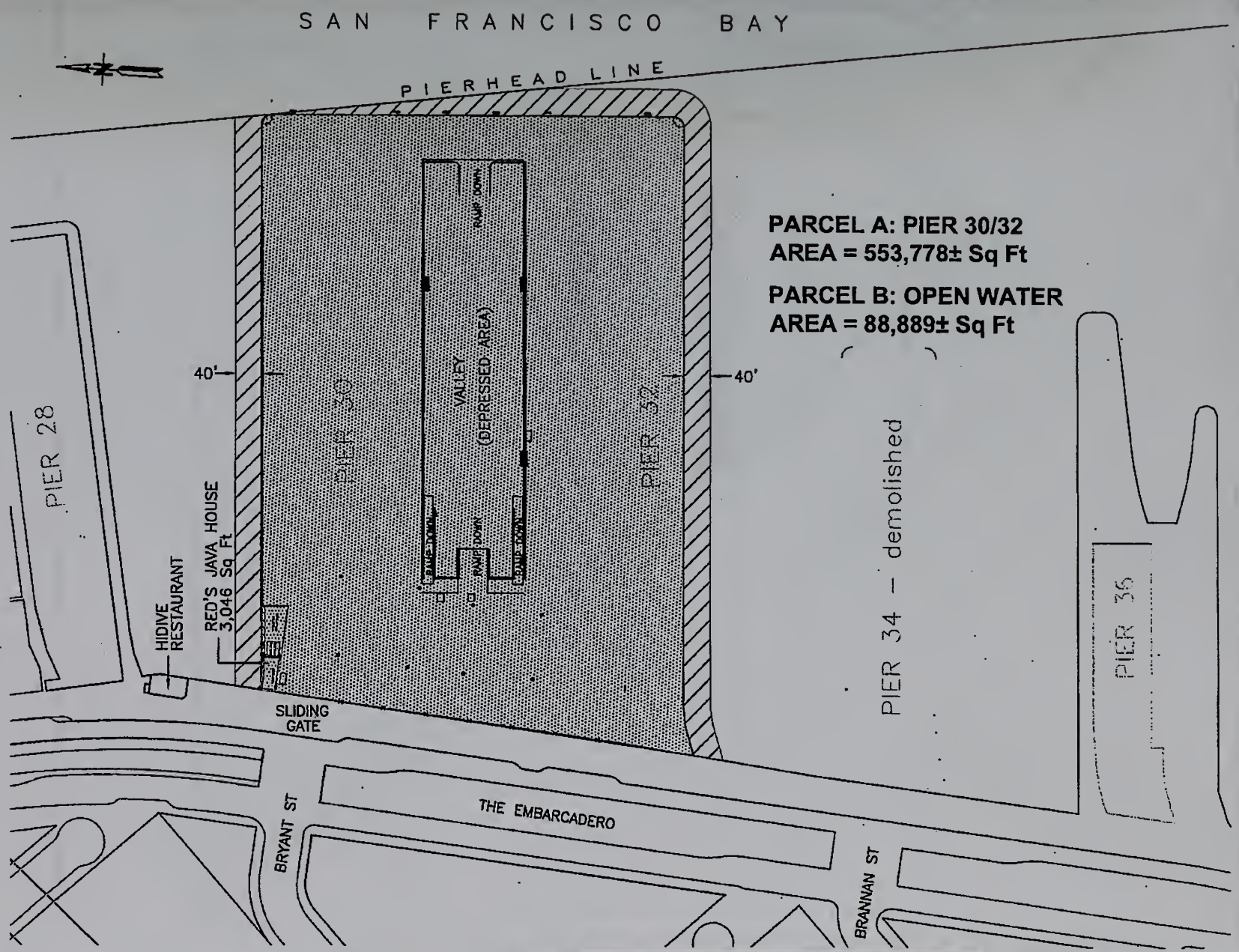
PORT: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, operating by and through the
San Francisco Port Commission

By: _____
Monique Moyer
Executive Director

Date: _____, 2012

Exhibits to Conceptual Framework

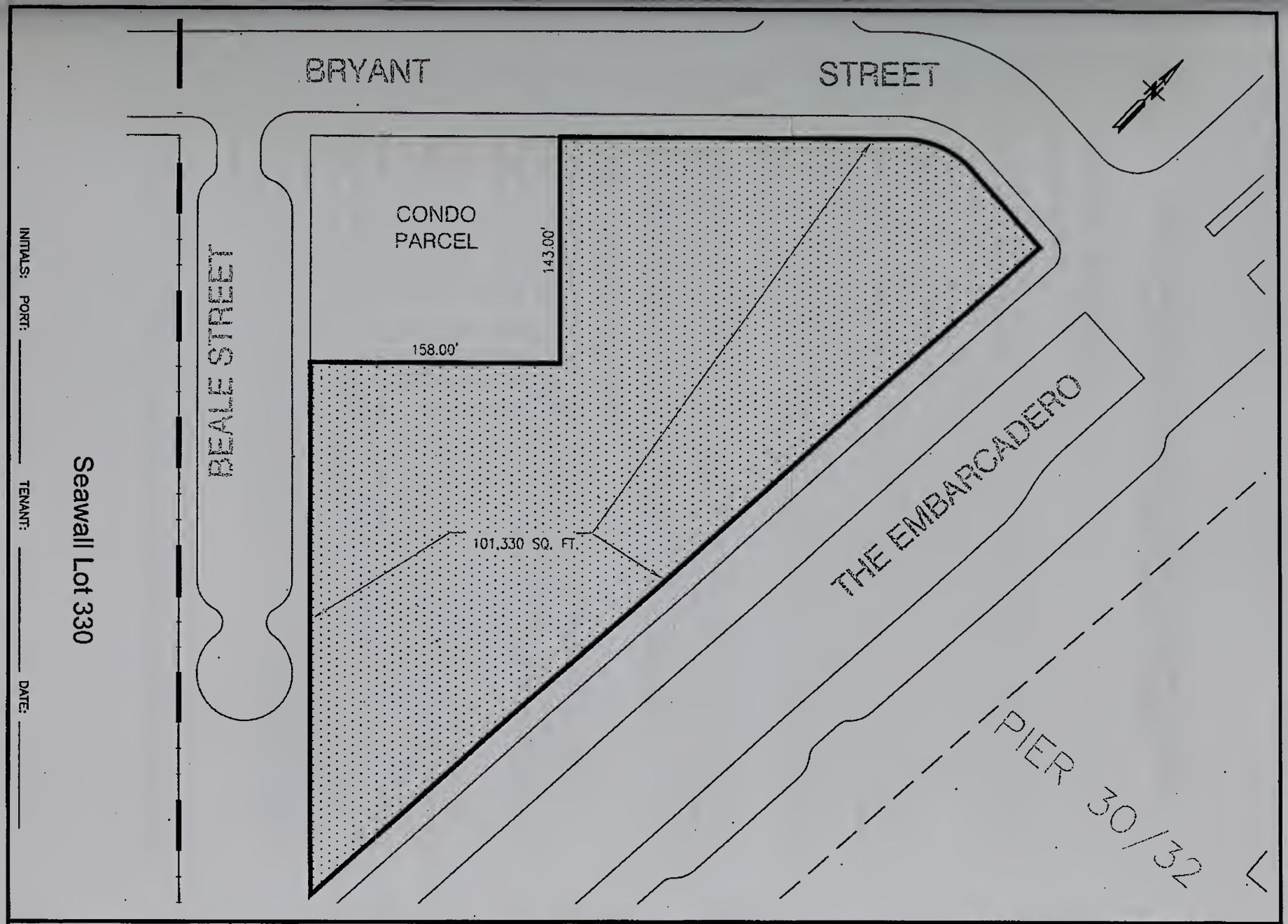
| | |
|---|---|
| Exhibit A-1 | Waterfront Site Map |
| Exhibit A-2 | Seawall Lot Site Map |
| Exhibit B | Project Description |




Piers 30-32

INITIALS: PORT: _____ LICENSEE: _____ DATE: _____

| | | | |
|---|---|---|---|
| LICENSE NO. | SAN FRANCISCO PORT COMMISSION<br>PORT OF SAN FRANCISCO<br>DEPARTMENT OF ENGINEERING | LICENSEE<br>**GSW ARENA, LLC** | DRAWN BY: ECC, AMN<br>CHECKED BY: B. BENSON<br>PLACE CODE NO. 1300–00 |
| | | | DATE: AUG 28, 2012<br>SCALE: 1" = 150'<br>SHEET NO. OF SHEETS |




| | | | | |
|---|---|---|---|---|
| LEASE NO. | SAN FRANCISCO PORT COMMISSION<br>PORT OF SAN FRANCISCO<br>DEPARTMENT OF ENGINEERING | TENANT<br>**GSW ARENA, LLC** | DRAWN BY: AMN<br>CHECKED BY: B. BENSON<br>PLACE CODE NO. 3300-00 | DATE: AUG 28, 2012<br>SCALE: 1" = 80'<br>SHEET NO. 1 OF 1 SHEETS |

G:\06 PROPERTY FILES\LEASE MAPS\EXHIBITS-SWL\SWL330_Warriors.dwg

# San Francisco Waterfront Multi-Purpose Venue and Mixed Use Development Project

## PROJECT DESCRIPTION

### INTRODUCTION

The Golden State Warriors propose to create a new regional serving waterfront attraction in San Francisco on Piers 30-32 that will include a multi-purpose venue, public open space, maritime uses, and regional visitor-serving retail, restaurants and entertainment. The privately financed multi-purpose venue would host the Bay Area's National Basketball Association (NBA) basketball team, the Golden State Warriors, during the NBA season as well as provide a year-round venue for a variety of other uses, including, but not limited to, concerts, cultural events, family shows, and conferences/ conventions. The multi-purpose venue would be located with convenient access to public transit options, including San Francisco Municipal Railway (Muni), Bay Area Rapid Transit (BART), CalTrain, ferry service, and pedestrian/bicycle routes. The project would include substantial repair and structural upgrades to the currently underutilized and deteriorating Piers 30-32. The Piers 30-32 project is scheduled for completion in time for the 2017-18 NBA season.

In conjunction with the development of Piers 30-32, the Golden State Warriors also propose to develop Seawall Lot 330, located directly across The Embarcadero from Piers 30-32, with mixed-use development. Seawall Lot 330 would be developed with a variety of mixed uses, including, but not limited to, residential/hotel uses, and retail uses along The Embarcadero.

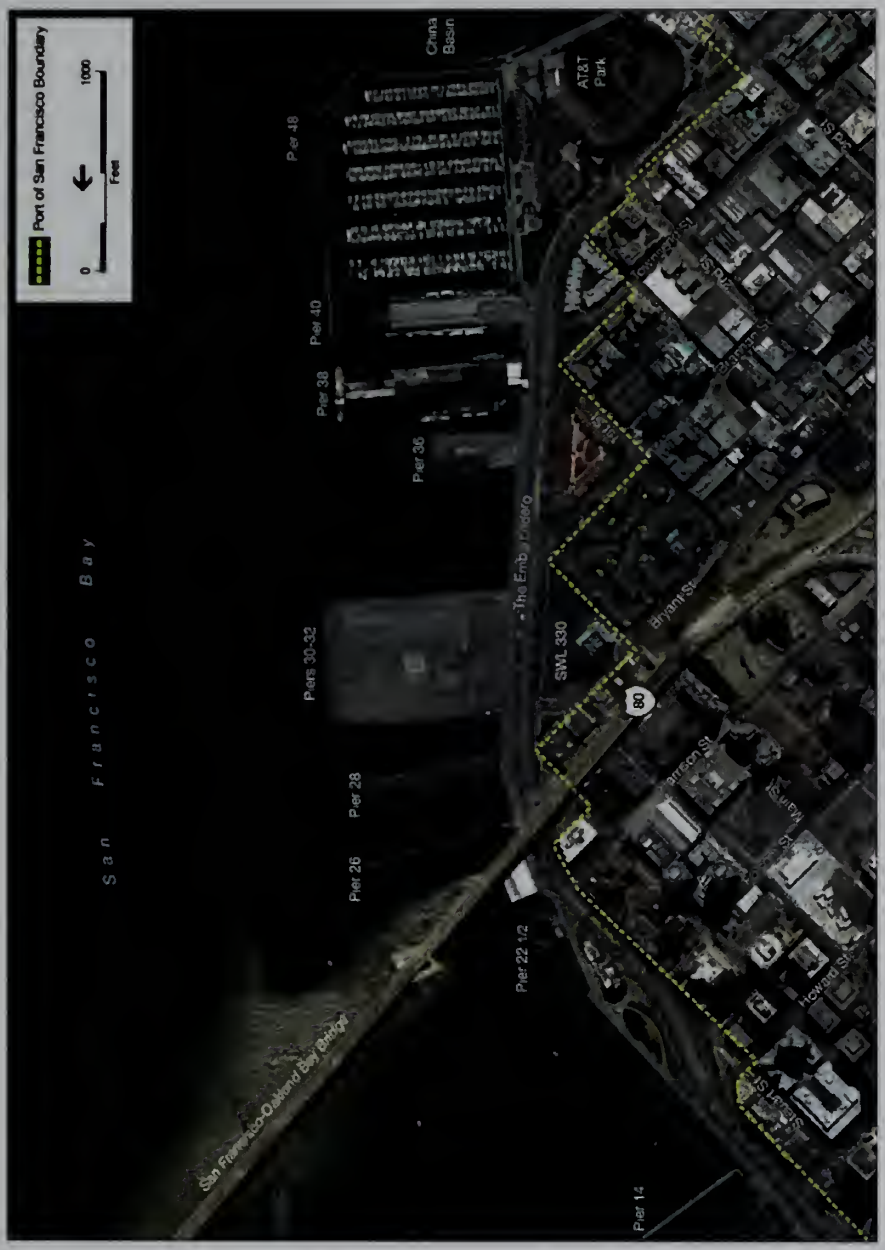
### PROJECT LOCATION AND SETTING

As shown in **Figure 1**, Piers 30-32 and Seawall Lot 330 are located along The Embarcadero, between Bryant Street and Brannan Street, within the City's Rincon Point-South Beach neighborhood, and within the Port of San Francisco's Waterfront Land Use Plan (WLUP) South Beach/China Basin Waterfront.[1]

Piers 30-32 is an approximate 13-acre rectangular-shaped pier structure extending from The Embarcadero into the San Francisco Bay. Piers 30-32 is formed from two originally separate piers that were altered and merged into one facility prior to 1955. Portions of the deck of the newer center section of Piers 30-32 are constructed at a lower elevation than the two former individual pier sections. Piers 30-32 has no existing on-deck structures, except for Red's Java House, located on the northwest end of the pier along The Embarcadero. Piers 30-32 is located outside the Embarcadero Historic District, however, Red's Java House is considered a potential non-contiguous contributor to the District. Piers 30-32 is currently used for parking (consisting of an estimated 1,505 spaces managed by a parking operator); occasional passenger cruise, military, research, and

[1] The Waterfront Land Use Plan South Beach/China Basin Waterfront extends from Pier 22½ to Mariposa Street.

INSERT FIGURE 1: AERIAL PHOTO




SOURCE: Google Maps; ESA

**Figure 1**
Aerial Photo of Project Site and Vicinity

other vessel moorage (on the east berth); and special events. Piers 30-32 is in poor structural condition, and has load restrictions that preclude large truck access to this facility. Some improvements to Piers 30-32 have recently been made to enable it to be used for team bases in support of the 34th America's Cup races.

Seawall Lot 330 is an approximately 2.33-acre paved, inland site, located directly across The Embarcadero from Piers 30-32. It is located within a triangular-shaped block bounded by Bryant Street to the northwest, Beale Street to the southwest, and The Embarcadero on the east; a high-rise condominium building (the Watermark) located on the west end of this block, adjacent to Seawall Lot 330. Seawall Lot 330 is currently operated as a parking lot (with an estimated 268 spaces) and is managed by a parking operator.

## PROJECT COMPONENTS

The following describes the various project components proposed for Piers 30-32 and Seawall Lot 330, respectively.

### *Piers 30-32*

Piers 30-32 would be developed with a multi-purpose venue, visitor-serving retail uses, a parking garage, maritime uses and open space/public access areas. **Table 1**, below, summarizes the principal project characteristics for the proposed uses at Piers 30-32. ***All numbers are approximate.***

**TABLE 1**
**PIERS 30–32 PROJECT CHARACTERISTICS SUMMARY**

| Project Component | Characteristic |
|---|---|
| Multi-Purpose Venue Seating Capacity | 17,000 – 19,000 seats |
| Size | |
| Multi-Purpose Venue | 700,000 GSF |
| Retail | 105,000 GSF |
| Practice Facility & Training Areas | 21,000 GSF |
| Community Room | 10,000 GSF |
| Event Management & Team Operations | 40,000 GSF |
| Parking | 275,000 GSF |
| Total Building Area (GSF) | **1,151,000 GSF** |
| Height/Levels | |
| Multi-Purpose Venue Maximum Height | 135 feet |
| Retail Maximum Height/Levels | 60 feet/ 3 Levels |
| Parking Height/Levels | 40 feet / 3 levels |
| Parking Spaces | 630 |
| Vehicular Access | at The Embarcadero/Bryant Street |
| Open Space | minimum 50% GSF of site |
| Red's Java House (existing) | retained in place or incorporated into design |

| | | |
|---|---|---|
| Maritime Uses | north side: | SFFD fire boat facility; ferry stop, boat docking |
| | east side: | Berthing for boats, including periodic, temporary berthing for deep draft vessels (subject to further financial feasibility analysis) |
| | south side: | Recreational water sports access, public kayak launch area, guest docks; water taxi stop |

The proposed multi-purpose venue would have a seating capacity of 17,000 to 19,000 seats, encompass approximately 700,000 gross square feet in area, and have an approximate height of 135 feet. Red's Java House, located in the northwest corner of Piers 30-32, would not be demolished; rather, it would either be retained in place or incorporated into the design of the proposed development at Piers 30-32.

The proposed multi-purpose venue would be designed to integrate and maximize public access and open space on Piers 30-32 and to maintain important public view corridors of San Francisco Bay. A minimum of 50% of the gross square floor area of Piers 30-32 is proposed to be open space. The open space will be split into distinct levels, each serving multiuse event center entrances at different building floors. Each level will have both large gathering areas as well as smaller scaled spaces that allow the public to enjoy view of the Bay. These areas will be connected by a grand stair and accessible ramp, creating a dramatic arrival sequence to the upper plaza, focusing views on the Bay Bridge and providing opportunities to sit on south facing steps. Planted areas will also be provided for and integrated with a storm water management system

An approximate 630-space parking garage would be provided at Piers 30-32 to serve project uses and would be screened from public view. All parking ingress and egress would occur at the intersection of The Embarcadero and Bryant Street. The garage would be accessible for the public during designated non-game / -event days.

In addition, the Piers 30-32 project would include approximately 105,000 square feet of retail development consisting of stores and restaurants on up to 3 levels.

The proposed waterfront development would also include several maritime uses, which may include a San Francisco Fire Department boat facility and station house and ferry stop (on the north side of the pier); recreational water sports access public kayak launch, guest docks, water taxi stop (on the south side of the pier), and the berthing for boats, including the periodic, temporary berthing for deep draft vessels (on the east side of the pier). Project construction would include extensive repair, structural strengthening, and seismic upgrade to Piers 30-32, requiring installation of new support piles and other water-based construction. Some dredging may also be required. Construction is scheduled to commence by June 1, 2014, and operation of the facilities is anticipated to commence in fall of 2017.

**Proposed Multi-Purpose Venue Use**

The proposed multi-purpose venue would serve as the new home of the Golden State Warriors, who currently play at the Oracle Arena in Oakland. The Warriors would play approximately 50 home games per year at the proposed multi-purpose venue, generally between late-October and late-April. The NBA season games are split evenly between weekdays and weekends. NBA basketball games are played in the evening (starting at 7:30 p.m. and running through about 9:40 p.m.), except for one day game each season that is typically scheduled over Martin Luther King, Jr. weekend.

In addition, there would also be approximately 155 non-Warriors game regional-serving events at the multi-purpose venue each year, which could include concerts, cultural events, family shows, conferences/ conventions, and other events. A diverse calendar of events would be roughly split amongst four major categories: concerts, other sporting events, family shows, and fixed fee rentals:

- Concerts would range from national tour acts to smaller cultural and niche performances and are anticipated to occur mainly in the evenings on both weekends and weekdays. Given the stage layout requirements of national concert tours and general demand for cultural performances, attendance to this category of events is projected to average 13,000.

- Other Sporting Events may include NCAA tournaments for basketball, volleyball, and gymnastics, as well as U.S. Olympic and other international qualifying tournaments. Local, regional, and state level championship games for youth, high school, and collegiate teams could also be hosted. The majority of Other Sporting Events are likely to be held during the daytime on weekends with average attendance projected to be 7,000.

- Family Shows consist of musical, dance, and other performance acts that are geared toward children. Examples of current touring acts that fall within this category include Disney on Ice, Yo Gabba Gabba Live! and How to Train Your Dragon Live! These acts generally have multiple shows on consecutive days, with the majority of shows occurring on the weekend with matinee, afternoon, and evening performances. Projected attendance at these shows is estimated to be 6,000.

- Fixed Fee Rentals are generally conferences and conventions where the facility could be used in connection with Moscone Center as a venue for large capacity keynote speakers and for general assembly. Most fixed fee rentals are likely to be reserved for single or multi-day events with participants utilizing the facility throughout the day. Average attendance at these types of events is estimated to be 9,000.

Integrated within the event center would be the Warriors practice facility and multi-purpose venue management offices. The practice facility would include 2 full length NBA basketball courts, with approximately 21,000 square feet of playing surface, state-of-the-art weight room and medical treatment facilities, locker rooms, and players' lounge. The multi-purpose venue management and team operations space would accommodate venue employees and the organization's employees, including the Warriors coaching and operations staff, management,

administration, finance, marketing, broadcasting, merchandising and public relations, and ticket operations. A third court of approximately 10,000 square feet would be utilized as a community amenity, including events such as basketball camps for youths and community meetings.

### *Seawall Lot 330*

In conjunction with development of Piers 30-32, a mixed-use development is proposed at Seawall Lot 330, which would include a combination of retail, residential, hotel, and parking uses. **Table 2**, below, summarizes the principal project characteristics for the proposed uses at Seawall Lot 330. ***All numbers are approximate.***

**TABLE 2**
**SEAWALL LOT 330 PROJECT CHARACTERISTICS SUMMARY**

| Project Component | Characteristic |
|---|---|
| Size | |
| Residential | 140,000 – 160,000 GSF |
| Retail | 33,000 GSF |
| Hotel | 140,000 - 160,000 GSF |
| Parking | 105,000 GSF |
| Total Building Area (GSF) | **418,000 - 458,000 GSF** |
| Height/Levels | |
| Residential Maximum Height/Levels | 150 feet/ 14 Levels |
| Retail Maximum Height/Levels Parking | 15 feet/ 1 Level |
| Maximum Height/Levels | 45 feet / 3 levels |
| Parking | 195 - 300 parking spaces |
| Vehicular Access | at Bryant Street and Beale Streets |

Seawall Lot 330 would include an approximately 195 - 300-space garage. The garage would provide off-street parking and loading for residential and hotel uses within the development.

# APPENDIX D:

## Appraisal Piers 30-32 & SWL 330

CBP CARNEGHI-BLUM & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

# APPRAISAL OF:

# SEAWALL LOT 330, PIERS 30 - 32

# SAN FRANCISCO, CALIFORNIA

## PREPARED FOR:

## CITY AND COUNTY OF SAN FRANCISCO

## SAN FRANCISCO, CALIFORNIA

SEPTEMBER 2012

12-ASF-425

CBP CARNEGHI-BLUM & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

September 28, 2012

Mr. John Updike
Acting Director of Real Estate
City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Re: 12-ASF-425, Appraisal
Seawall Lot 330, Piers 30 - 32
San Francisco, California

Dear Mr. Updike:

At your request and authorization, Carneghi-Blum & Partners, Inc. has appraised the market value of the above-referenced property. The subject property appraised is the fee simple interest and the market rent of the site identified as the remaining unimproved portion of Seawall Lot 330, and the market rent for Piers 30 -32. The Seawall Lot 330 subject site (Seawall Lot Site) consists of a vacant parcel currently improved as a pay parking lot, located between Bryant and Beale Streets, and The Embarcadero, in the South Beach neighborhood of the City and County of San Francisco, California. The site contains approximately 101,330 square feet (2.33 acres) and is currently unentitled. The zoning designation is South Beach Downtown Residential. This subject site is identified by the San Francisco Assessor as Lot 002 of Block 3771, and a portion of Lot 002, Block 3770.

The Piers 30-32 subject property (Waterfront Site) consists of a wooden pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The piers reportedly are in need of significant structural upgrading and repairs. The site is zoned M-2, Heavy Industrial, and has a 40-foot height limit. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900.

This appraisal was requested by Mr. John Updike, Acting Director of Property for the City and County of San Francisco, California. The purpose of this appraisal is to estimate the market value of the fee simple interest and market rent of the currently unimproved portion of Seawall Lot 330, as well as the market rent for Pires 30 - 32, under the conditions defined by the client, as described in this report. The intended use/user of the report is to assist the City and the Port, as well as State Lands Commission, with negotiations pertaining to a proposed development project that includes a public assembly venue. ***This report should not be used or relied upon by any other parties for any reason.***

**San Francisco Office** • 595 Market St, Ste 2230 • San Francisco, CA 94105 • 415-777-2666 • FAX 415-977-0555
**San Jose Office** • 1602 The Alameda, Ste 205 • San Jose, CA 95126 • 408-535-0900 • FAX 408-535-0909

## EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL LIMITING CONDITIONS

1. It is noted that the title reports for Seawall Lot 330 do not appear to cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

2. The preliminary title reports are somewhat dated (2003 and 2010), and therefore this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

3. For purposes of his assignment, the appraisers have been instructed to appraise the Seawall Lot subject property without consideration of any potential remaining Pubic Trust use restrictions. The Waterfront Site subject property, however, is appraised assuming it remains affected by the Public Trust use restrictions.

4. The Piers 30 - 32 subject property reportedly will require significant structural upgrades and repairs, in order to be developed to their highest and best use. The cost of the required work was not available to the appraisers. The Piers 30 - 32 (Waterfront Site) subject property has therefore been appraised as if any required structural upgrades and repairs have been completed.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

## VALUE CONCLUSIONS

*Seawall Lot 330 (Seawall Lot Site)*

Based on the research and analyses contained herein, subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September10, 2012, is estimated to be:

**THIRTY MILLION FOUR HUNDRED THOUSAND DOLLARS**

**($30,400,000)**

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual market rental value of the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

**TWO MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS PER YEAR**

**($2,130,000 per year, triple net)**

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

*Piers 30 - 32 (Waterfront Site)*

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual hypothetical market rental value of the subject property, assuming the piers have been structurally upgraded and repaired as planned, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

**ONE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS PER YEAR**

**($1,970,000 per year, triple net)**

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

This letter must remain attached to the appraisal report, which is identified on the footer of each page as 12-ASF-425 plus related exhibits, in order for the opinion of value set forth to be considered valid.

## CERTIFICATION OF THE APPRAISERS

We, the undersigned, hereby certify that, to the best of our knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions; we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved; we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; our engagement in this assignment was not contingent upon developing or reporting predetermined results, our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute; we have made a personal inspection of the property that is the subject of this report; no one provided significant professional assistance to the persons signing this report. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Chris Carneghi and Timothy Runde have completed the requirements under the continuing education program of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report.

We have previously appraised the subject Seawall Lot 330 property in 2011. We have otherwise not performed any real estate services concerning the property that is the subject of this report in the 36 months prior to accepting this assignment.

We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

CARNEGHI-BLUM & PARTNERS, INC.

Chris Carneghi, MAI
Certified General Real Estate Appraiser
State of California No. AG001685

Timothy P. Runde, MAI, LEED AP
Certified General Real Estate Appraiser
State of California No. AG011358

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**ADDENDA**

Preliminary Title Reports
Appraiser Instructions
Qualifications of Appraisers

# I. REPORT SUMMARY AND LIMITING CONDITIONS

## A. Property Appraised

The subject property appraised is the fee simple interest and the market rent of the site identified as the remaining unimproved portion of Seawall Lot 330, and the market rent for Piers 30 -32. The Seawall Lot 330 subject site (Seawall Lot Site) consists of a vacant parcel currently improved as a pay parking lot, located between Bryant and Beale Streets, and The Embarcadero, in the South Beach neighborhood of the City and County of San Francisco, California. The site contains approximately 101,330 square feet (2.33 acres) and is currently unentitled. The zoning designation is South Beach Downtown Residential. This subject site is identified by the San Francisco Assessor as Lot 002 of Block 3771, and a portion of Lot 002, Block 3770.

The Piers 30-32 subject property (Waterfront Site) consists of a wooden pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The piers reportedly are in need of significant structural upgrading and repairs. The site is zoned M-2, Heavy Industrial, and has a 40-foot height limit. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900.

## B. Property Identifications

| | |
|---|---|
| Assessor's Parcel Nos. | |
| Seawall Lot 330 | Block 3771 Lot 002<br>Block 3770 Lot 002 (portion) |
| Piers 30 - 32 | Block 9900, Lots -030, -032 |
| Zoning | SB-DTR (SWL 330)<br>M-2 (Piers 30 -32) |
| Census Tract Number | 179.01 |
| Flood Zone | N/A (Flood insurance not required) |
| Earthquake Zone | N/A |

## C. Client, Purpose, Intended Use and Intended User of Appraisal

This appraisal was requested by Mr. John Updike, Acting Director of Property for the City and County of San Francisco, California. The purpose of this appraisal is to estimate the market value of the fee simple interest and market rent of the

currently unimproved portion of Seawall Lot 330, as well as the market rent for Pires 30 - 32, under the conditions defined by the client, as described in this report. The intended use/user of the report is to assist the City and the Port, as well as State Lands Commission, with negotiations pertaining to a proposed development project that includes a public assembly venue. ***This report should not be used or relied upon by any other parties for any reason.***

**D. Date of Appraisal**

The effective date of valuation is September 10, 2012.

The date of the report is September 28, 2012.

**E. Scope of Work and Report Format**

The scope of work for this appraisal assignment report is to utilize the appropriate approaches to value in accordance with Uniform Standards of Professional Appraisal Practice to arrive at a market value conclusion. Specific steps include the inspection of the subject property and the research, analysis and verification of comparable data to arrive at value indication as put forth in the this report. The Sales Comparison Approach is considered to be the best indicator for the subject property and is utilized. The Income and Cost Approaches are not considered relevant and are not included.

This is a summary report.

**F. Appraiser Instructions (Exhibit D, Engagement Letter)**

The appraiser instructions are contained within Exhibit D of the Engagement Letter, which is reproduced in the Addenda. The key parameters are summarized below:

*1. Seawall Lot 330*

a. Site Area is 101,330 square feet

b. As-Is Market Value of Fee Simple Interest

c. As-Is Market Rent: 75-year term (30-year base plus additional 45 years)

d. Existing Zoning

e. Property is unentitled

f. Title is clear and marketable

g. Property is NOT subject to Public Trust Use restrictions

h. Port Transfer fee of 0.5% on net proceeds of condominiums

i. Below-grade parking requirement per instructions

2. *Piers 30 - 32*

a. Site area is 553,778 square feet

b. As-Is Market Rent: 66-year term (30-year base plus additional 36 years)

c. Existing Zoning (M-2, 40-X height/bulk)

d. Property is unentitled for the proposed use

e. Title is clear and marketable

f. Property IS subject to Public Trust use restrictions

g. Proposition H (hotel ban) applies

h. At least 35% of site dedicated to public open space, including perimeter

i. Pier substructure upgrade costs to be provided by Port

j. Red's Java House to be incorporated into any new development

## G. Definition of Terms

### *1.* Market Value *(OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))*

"Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated;

b. Both parties are well informed or well advised, and acting in what they consider their own best interest;

c. A reasonable time is allowed for exposure in the open market;

d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and

e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. **Fee Simple Interest** ***(The Appraisal of Real Estate, 13th Edition, 2008, p.111)***

A fee simple interest in valuation terms is defined as "... absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." It is an inheritable estate.

3. **Market Rent** ***(The Dictionary of Real Estate Appraisal, 4th Edition, 2002, p.176)***

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

*a.* Lessee and lessor are typically motivated.

*b.* Both parties are well informed or well advised, and acting in what they consider their best interests.

*c.* A reasonable time is allowed for exposure in the open market.

*d.* The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.

*e.* The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

## H. Value Conclusions

*Seawall Lot 330 (Seawall Lot Site)*

Based on the research and analyses contained herein, subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September10, 2012, is estimated to be:

**THIRTY MILLION FOUR HUNDRED THOUSAND DOLLARS**

**($30,400,000)**

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual market rental value of the subject property, in its present, as-is condition, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

**TWO MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS PER YEAR**

**($2,130,000 per year, triple net)**

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

*Piers 30 - 32 (Waterfront Site)*

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the annual hypothetical market rental value of the subject property, assuming the piers have been structurally upgraded and repaired, consistent with the Appraiser Instructions contained herein, as of September 10, 2012, is estimated to be:

**ONE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS PER YEAR**

**($1,970,000 per year, triple net)**

Ground lease market terms include escalations occurring every five years based on a cumulative CPI, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of the ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

## I. Limiting Conditions

*Extraordinary Assumptions and Hypothetical Limiting Conditions*

1. It is noted that the title reports for Seawall Lot 330 do not appear to cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

2. The preliminary title reports are somewhat dated (2003 and 2010), and therefore this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

3. For purposes of his assignment, the appraisers have been instructed to appraise the Seawall Lot subject property without consideration of any potential remaining Pubic Trust use restrictions. The Waterfront Site subject property, however, is appraised assuming it remains affected by the Public Trust use restrictions.

4. The Piers 30 - 32 subject property reportedly will require significant structural upgrades and repairs, in order to be developed to their highest and best use. The cost of the required work was not available to the appraisers. The Piers 30 - 32 (Waterfront Site) subject property has therefore been appraised as if any required structural upgrades and repairs have been completed.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

*Standard Limiting Conditions*

5. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.

6. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report.

7. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser is assumed by the appraiser.

8. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.

9. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering studies which might be required to discover such factors. It is assumed that no soil contamination exists as a result of chemical drainage or leakage in connection with any production operations on or near the property.

10. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the site has not been considered. These materials may include (but are not limited to: the existence of formaldehyde foam insulation, asbestos insulation, or toxic wastes. The appraiser is not qualified to detect such substances; the client is advised to retain an expert in this field.

11. Any projections of income and expenses in this report are not predictions of the future. Rather, they are an estimate of current market thinking of what future income and expenses will be. No warranty or representation is made that these projections will materialize.

12. The appraiser is not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety, and only for the contracted intended use as stated herein.

14. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, new sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute or the MAI designation.

## II. AREA AND NEIGHBORHOOD OVERVIEW

### A. San Francisco and the Bay Area

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fifth largest metropolitan center in the United States with a population exceeding 6,800,000. It has a relatively stable economic base which will likely expand in the future. Principal economic activities include finance, high technology, manufacturing, and transportation. The population within San Francisco proper was approximately 812,538 as of January 1, 2012 (most recent available data), according to estimates prepared by the California Department of Finance.

The economic outlook for San Francisco and the Bay Area is positive. According to the Association of Bay Area Governments (ABAG) Projections 2009, San Francisco will have 606,540 jobs by 2015, up from an estimated 568,730 jobs in 2010. The largest employment sectors in 2010 in San Francisco were financial and professional services (181,680 jobs)and health, educational and recreational services (198,800 jobs). These sectors comprise approximately 67 percent of total jobs in San Francisco. Also according to ABAG's 2009 Projections, San Francisco's mean household income was $102,000 as of 2010, up from $97,400 in 2005. ABAG projects income will rise to $107.900 by 2015, and $113,800 by 2020.

The California Employment Development Department reports San Francisco unemployment at 7.4 percent as of May 2012, down from 8.4 percent the previous year. This compares to the State unemployment rate of 10.8 percent as of May 2012 and 11.4 percent one year earlier.

The economic outlook for San Francisco and the Bay Area is favorable. On a regional basis, the Bay Area has a diversified economic base which helps insulate it from national economic fluctuations. Employment patterns within San Francisco are generally oriented to office activities. These activities, as opposed to functions such as heavy industry, have traditionally been less vulnerable to changes in the business cycle.

# REGIONAL MAP

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Certain mapping and direction data © 2009 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2009 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2009 by Applied Geographic Systems. All rights reserved.

## B. Neighborhood Description

The subject properties are situated on either side of The Embarcadero, south of Bryant Street and east of Beale Street, in the South Beach neighborhood. The neighborhood is generally bounded by San Francisco, the Bay Bridge, and Second Street. The area has undergone significant redevelopment over the past 30 years, facilitated by its original designation as a redevelopment district.

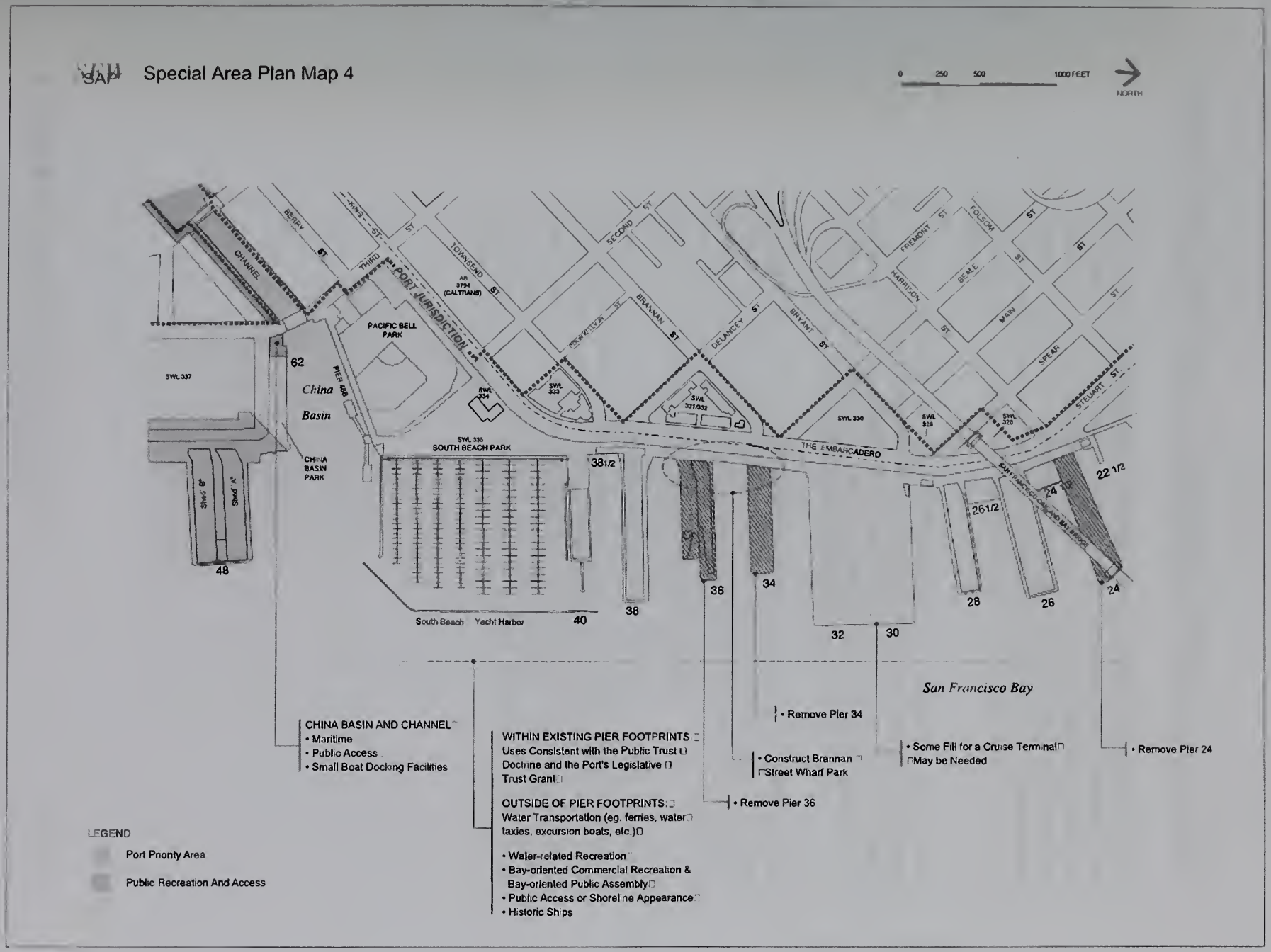
The subject Seawall Lot 330 shares the block with The Watermark (501 Beale Street), a 22-story for-sale residential condominium project that was completed in 2006. At the time of its original sell-out, the project attained some of the highest per square foot prices for new residential condominium towers (Infinity, One Rincon). To the north of the subject is the Portside, which is a lower density project that was completed in the 1980s and contains primarily small for-sale condominium units. West of the Portside is a Caltrans maintenance yard. To the west of the subject Seawall Lot 330, south of Bryant Street, is Bayside Village Apartments. This 1980s era rental apartment complex contains a series of three and four-story buildings built over partially subterranean garages. To the south of that project is the Delancey Street complex, which includes group housing and services for recovering addicts and ex-offenders. South Beach Marina apartments are located further south, and reflect a slightly higher density of development.

Further west, the neighborhood is improved with a mix of new residential building of medium to high density, as well as mixed office and commercial uses. North of the Bay Bridge, the neighborhood becomes increasingly office-oriented approaching the core of the Financial District. There are a number of high-rise residential projects in the area as well, including the Avalon Bay rental Apartments, and the Infinity and One Rincon for-sale condominium towers. Vacant land in the area currently used for parking has, for the most part, been entitled for high-density residential development.

The neighborhood on the east side of The Embarcadero, north and south of Piers 30 and 32 is mixed industrial in nature. Piers 34 and 36 to the south are in the process of being demolished and a new public park is under construction along The Embarcadero. Further south, the Piers are primarily occupied by industrial and maritime-related use. To the north is Hi Dive, a small waterfront bar. Piers 26 and 28 to the north are substantially in original condition, with some limited upgrading, and include maritime and light-industrial uses.

The subject is well located with respect to area amenities. The Embarcadero has been upgraded with landscaping and street improvements, as well as pedestrian walkways and small park areas. Epic Roasthouse and Waterbar restaurants are

# Neighborhood Map



located just north of the Bay Bridge, and the subject is within walking distance of the Ferry Plaza, which includes a food hall and large farmers market on Saturdays, plus a smaller version on Tuesday and Thursday. Numerous restaurants, hotels and entertainment facilities are located north of the subject along The Embarcadero approaching the core Financial District. To a lesser degree, there are commercial, restaurant and entertainment uses to the south along the west line of The Embarcadero.

The subject site is also well located with respect to the technology corridor that runs down Second Street, Brannan and Townsend Streets. Here, former brick and timber warehouses have been converted to "creative" tech office space, which is popular with the start-ups in the technology field. Further south, restaurants, bars and shops are located in the vicinity of the Giants baseball stadium, AT&T Park.

The Embarcadero was completely reconstructed to include a street car line that links Fisherman's Wharf to the baseball stadium, as well as extending up Market Street to the Castro. Infrastructure improvements included the construction of a large plaza in front of the Ferry Building, expanded and reconstructed boulevard, new lighting standards and palm trees, new turn lanes and traffic signals.

In summary, the subject location benefits from its proximity to the Financial District, the SOMA tech corridor, and the emerging Mission Bay neighborhood to the south of the Ballpark. Proximity to the waterfront is the most significant amenity of the subject's location. There has been significant public and private investment centered on the waterfront, particularly in the past five years. Efforts to redeploy underutilized Port lands and piers continue. Overall, the outlook for the subject neighborhood is positive.

## III. MARKET OVERVIEW

The highest and best use of the Seawall Lot 330 site is concluded later in this report as multifamily residential development. For Piers 30 - 32, a commercial entertainment/retail development, possibly including a public assembly component, is concluded as the highest and best use. Market conditions of each of these sectors is discussed in the following sections.

### A. Residential Market Overview

The City of San Francisco has traditionally been one of the most expensive housing markets in the country. Although not immune to the financial crisis, it has recently rebounded strongly and early in the cycle. In past years, strong demand and high barriers to entry have kept San Francisco housing prices at roughly two times the national average. Even as sales activity dropped in late-2007, while the credit crisis took hold, prices remained near peak levels. However, as inventory began to accumulate and the recession worsened, sellers finally reduced prices by late-2008. This downward movement in pricing continued throughout 2009 but moderated somewhat in 2010. New condominium projects, along with lower priced single family homes, have recently experienced a surge in buying activity. More recently, luxury homes ($2 million) are beginning to see strong appreciation. These trends are further discussed in the following sections.

*Sales Trends*

Based on recent sales trends for the San Francisco housing market, sales prices and sales volume are both increasing after an extended period of decline and comparatively weak market demand. According to the Real Estate Report, a real estate data provider which culls data from the MLS, the median price for a single family home in San Francisco in July 2012 was $800,750. This represents an increase of 6 percent from July 2011. In terms of sales volume, 204 single family homes were sold in San Francisco during the month of July 2012. Home sales totaled 191 in July 2011.

For condominium, loft and TIC units, the city-wide median price for July 2012 was $692,500. This is represents a 9 percent increase as compared to July 2011. A total of 264 attached housing units were sold in San Francisco in July 2012. This represents a 17 percent increase from July 2011. The average sale/list price ratio for condominiums, lofts and TICs in San Francisco for July 2012 was 101.1 percent, an increase from July 2011 ratio of 98.5 percent. The average time on market for attached housing in July 2012 was 59 days, whereas the average time on the market in July 2011 was 77 days.

Beginning in late-2008, developers in newer projects throughout San Francisco began lowering prices in response to reduced demand. While price reductions proved to be successful in off-loading inventory, some developers preferred to convert projects to rentals. Some of those projects have returned to the for sale market, such as the 179-unit Argenta in the Civic Center submarket on Polk Street.

*Supply Trends*

According to The San Francisco Planning Department's Q1 2012 Pipeline Report (most recent available), there are 4,420 housing units currently under construction. A total of 27,840 housing units are approved by planning, although many of these will not be built in the near future. Most of the new condominium projects are located in Bayview/Hunter's Point/Candlestick , Treasure Island and Park Merced, areas which have land available for new development.

According to a June 29, 2012 article in the San Francisco Business Times, there is a short supply of newly constructed condominiums in the San Francisco market. Reportedly, approximately 20 percent of newly constructed condominiums sold in June 2012, "the city's supply of available for-sale condominiums has shrunk from 881 homes in 15 developments to just 378 homes in 10 developments." According to the article, one condominium project, the Madrone in Mission Bay, will be delivered to the market in the latter half of 2012. The remaining supply of 3,000 units are designated as apartment rentals. According to media reports, apartment projects include a 750-unit project at 1401 Market, a 308-unit project at 333 Harrison St, a 173-unit project at 1150 Ocean Avenue, a 106-unit project at 1280 Sutter Street, Avant Housing's 194-unit Mission Gardens project and United Dominion Realty Trust's 300-unit Mission Bay project.

*Apartment Trends*

According to Cassidy Turley BT Commercial's Apartment Market Report for the second quarter of 2012 (most recent available), apartment complexes under 99 units in San Francisco posted a 3.6 percent vacancy rate and an average rent of $2,670 per month across all unit mixes. The average rental rate (for complexes with < 100 units) was reported at $2,096, one-bedroom units were reported at $2,655, two-bedroom/one-bathroom units were reported at $2,906, two-bedroom/two-bathroom units were reported at $3,649, and three-bedroom/two-bathroom units were reported at $3,392. In apartment complexes with 100 units or more, the average vacancy in San Francisco was slightly higher at 4.6 percent, and with a higher average rental rate of $2,723. The average rental rate for a studio was reported at $2,098, one-bedroom units at $2,701 per month, two-bedroom/one-bathroom units were reported at $3,512, two-bedroom/two-bathroom units were reported at $3,231, and three-

bedroom/two-bathroom units were reported at $2,902. Cassidy Turley expects rental rates to continue to grow rapidly in 2012, until vacancy rates reach 5 percent. Cassidy Turley project rental rate growth of 5 percent annually into 2014.

*Investment Market*

The investment market in San Francisco has traditionally been one of the strongest in the Nation. By 2009 however, disruptions in the credit market caused investment conditions to weaken. Sales velocity dropped off by almost 30 percent, mainly due to highly leveraged buyers pulling out of the buyer pool. This has begun to change and large investors have purchased several projects in the South Bay and East Bay over the last year. Freddie Mac and FNMA financing remains available and is being utilized by investors.

In San Francisco, there has been recent sales activity among smaller properties, typically under 15 units and on some larger properties which were previously owned by an entity controlled by Skyline Realty but have been given back to lenders in lieu of foreclosure. These are typically older, rent-controlled properties in core neighborhoods. Capitalization rates for these transactions have been in the low- 5 percent range but have edged up. Brokers active in the market suggest that for larger properties, capitalization rates are up over the peak but are still in the 5.0 to 6.0 percent range for well-located properties with realistic income streams that reflect upside potential. According to Marcus & Millichap, assets in the Bay Area with strong locations have been selling at capitalization rates of 6 percent or less, with top tier properties selling at capitalization rates of 4 percent. Demand for properties in high-density areas with access to mass transit remains intense, and capitalization rates for assets in these areas are showing declines in the near term.

The improving market fundamentals for apartments has had a positive effect on the development land market. While there remains ample supply of sites, beginning in the second half of 2010, land sale activity increased significantly in San Francisco, due to increased interest from apartment developers. The apartment market appears to be recovering before the for-sale housing market.

***Residential Market Conclusion***

Overall, the outlook for the San Francisco for-sale housing market has stabilized and is improving. City-wide, median home prices have increased in both the single family home sector and attached housing sector over the last year. In addition, the rental market has been performing well with increases in rental rates and occupancy. In spite of the sluggish national economy, the underlying fundamentals in San Francisco, including strong demand and high barriers to development, is helping

San Francisco fare better than other parts of the country. The lack of supply additions is a further stabilizing factor. The recent shift of technology hiring by firms of all sizes, demonstrating a preference for SOMA and downtown San Francisco over traditional suburban areas, is also a strong contributor to the recovery in the housing sector in San Francisco.

## B. Waterfront Retail Market Overview

San Francisco is considered a premier retail city with a high per capital income and a healthy tourism and convention business. Most of the maritime-oriented retail is focused along the northern waterfront. San Francisco's northern \waterfront retailers and restauranteurs cater primarily to tourists. According to the Fisherman's Wharf Merchants Association, an estimated 10 million people visited Fisherman's Wharf this year. Pier 39 is San Francisco's number one attraction and hosts an estimated 10.5 million visitors each year. Reportedly, Fisherman's Wharf ranks as the No. 8 tourist attraction in the United States, according to a recent Forbes.com survey.

The largest shopping centers in the neighborhood include Pier 39, The Anchorage Shopping Center and Ghirardelli Square. The prime shopping streets are Beach and Jefferson Streets from Aquatic Park to the Embarcadero. Pier 39, six blocks east of Fisherman's Wharf at Beach Street and the Embarcadero has more than 200,000 square feet of retail and restaurant space. There are over 100 shops and restaurants at Pier 39. The Anchorage Shopping Center, bounded by Jefferson, Beach, Leavenworth and Jones Streets, has 150,000 square feet of space on six levels and is directly across from Fisherman's Wharf. This shopping center has leased retail space to Hooters, Starbucks and In-N-Out Burgers. Ghirardelli Square occupies the block bounded by Beach, Larkin, North Point and Polk directly across from Aquatic Park. This development was renovated and the upper floor office and some retail space was converted to residential fractional ownership. The residential portion is called Fairmont Heritage Place and was completed in June 2008. It contains 53 units which are fully furnished. The two and three bedroom units contain between 1,200 to 1,900 square feet. Anchor tenants include the Ghirardelli chocolate store and ice cream parlor, and the McKormick and Kuleto's seafood restaurant.

The retail market in the area has a vacancy rate estimated to be in the range of 5 to 10 percent. The rate on prime blocks is lower, while there remains ample second tier space available on secondary arterials. Several active leasing agents, tenants and owners were surveyed regarding current market conditions in Fisherman's Wharf. According to merchants in the area, retail profits have declined slightly to the weak economy. However, many businesses have been busier, with stronger retail sales than expected, due to the families staying locally and not traveling. Further, the

location of the ferry service which provides access to Alcatraz draws tourists to this area.

The Fisherman's Wharf area in general functions as an urban entertainment center. It contains Pier 39 located on the eastern edge, Ghirardelli Square on the west and The Anchorage Shopping Center is in the center of the district. In between these large speciality centers there are small individual shops as well as entertainment venues. There is a tremendous flow of pedestrian shoppers traveling along Jefferson Street in the summer time, and the cable car, Muni and ferries provide an attraction to tourists to visit the area.

Outside of the Fisherman's Wharf area, the only major retail development on the waterfront is the Ferry Plaza, which underwent a complete renovation to a food hall and office development in 2003. The original 1898 structure was restored and upgraded, and transformed into 65,000 square feet of ground floor specialty food hall retail space, and 175,000 square feet of upper floor, Class A office space. The Ferry Plaza is one of the most successful of the Port's projects, catering to both local residents and tourists, and hosting one of the largest year-round farmer's markets in the area.

Limited retail development has occurred along the Embarcadero outside of the Fisherman's Wharf and Ferry Plaza developments. The limited pace of retail development is due in part to the restrictions of the Public Trust and other limitations affecting waterfront development. Restaurants have met with the most success, occupying renovated portions of pier buildings between the Bay Bridge and Fisherman's Wharf.

Fisherman's Wharf remains a stable tourist draw with strong foot traffic on major streets like Jefferson Street. Ferry Plaza, and to a lesser extent, the restaurants further south along the north waterfront, provide a wider draw that includes local residents. The new Cruise Ship Terminal under construction at Piers 27 - 29 should contribute positively to commercial development along the waterfront. ,In conclusion, the retail market in San Francisco and the north waterfront is considered stable, appealing primarily to tourists. While the economy has impacted the retail market in many areas, and rental rates are lower than in the past, the recovering economy is setting the stage for a recovery in the retail and entertainment market along the waterfront.

## C. Marketing/Exposure Time

The exposure period is defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." Thus, it is assumed to have occurred prior to the appraisal date. In contrast the marketing period is the estimated time that it would take to consummate the sale after the appraisal date.

Market sales and conversations with brokers have indicated that properly priced development sites would require a 9 to 12-month marketing periods. Given the current market environment, balanced by the appeal of the subject's location, a 12-month marketing and exposure period is concluded.

# IV. PROPERTY DATA AND ANALYSIS

## A. Site Description and Identification

*Seawall Lot Site*

The subject Seawall Lot site consists of the fee simple interest in the site commonly referred to as Seawall Lot 330. The site consists of the entirety of the block bounded by the Embarcadero, Bryant Street and Beale Street, excluding the northwest corner that is improved with the 22-story Watermark residential condominium building. The site configuration is shown in the parcel map reproduced on the following page. It is irregularly shaped but functional, with frontage on all three streets. The site is generally level and at street grade. It is currently improved as a paved parking lot with landscaping. The underlying Assessor's parcels include Lot 002 of Block 3771, and a portion of Lot 002 of Block 3770. The site also includes a portion of Main Street that appears to have been abandoned.

The site contains 101,330 square feet (2.33 acres) according to the client and the parcel map provided for review.

According to a geotechnical review prepared by Subsurface Consultants, Inc., dated June 25, 2001, the subject's underlying soils consist of Bay Mud and fill, which is typical of the area. The report concludes that pile foundations will be required, which is typical for the new construction in the area. Ground water is 5 to 9 feet below the surface, and most construction in the area does not include basements due to the cost and difficulty in controlling ground water intrusion.

The soils conditions are considered typical of the area. Pile foundations are commonly used for mid and high-rise construction as proposed for the subject.

The subject property is served with typical urban utilities, including public water and sewer systems. Local companies supply electricity, gas and telephone service.

*Waterfront Site*

The Piers 30-32 subject property (Waterfront Site) consists of a paved pier structure built on concrete piles that contains a total area of approximately 533,778 square feet (12.71 acres), according to the client. The property is identified by the San Francisco County Assessor as Lots -030 and -032 of Block 9900. The site configuration is generally rectangular. A site plan is reproduced on the following page. The central portion of the piers is depressed slightly, and is accessed by multiple ramps. There are multiple access points for vehicle traffic along The Embarcadero. The street frontage is currently fenced.

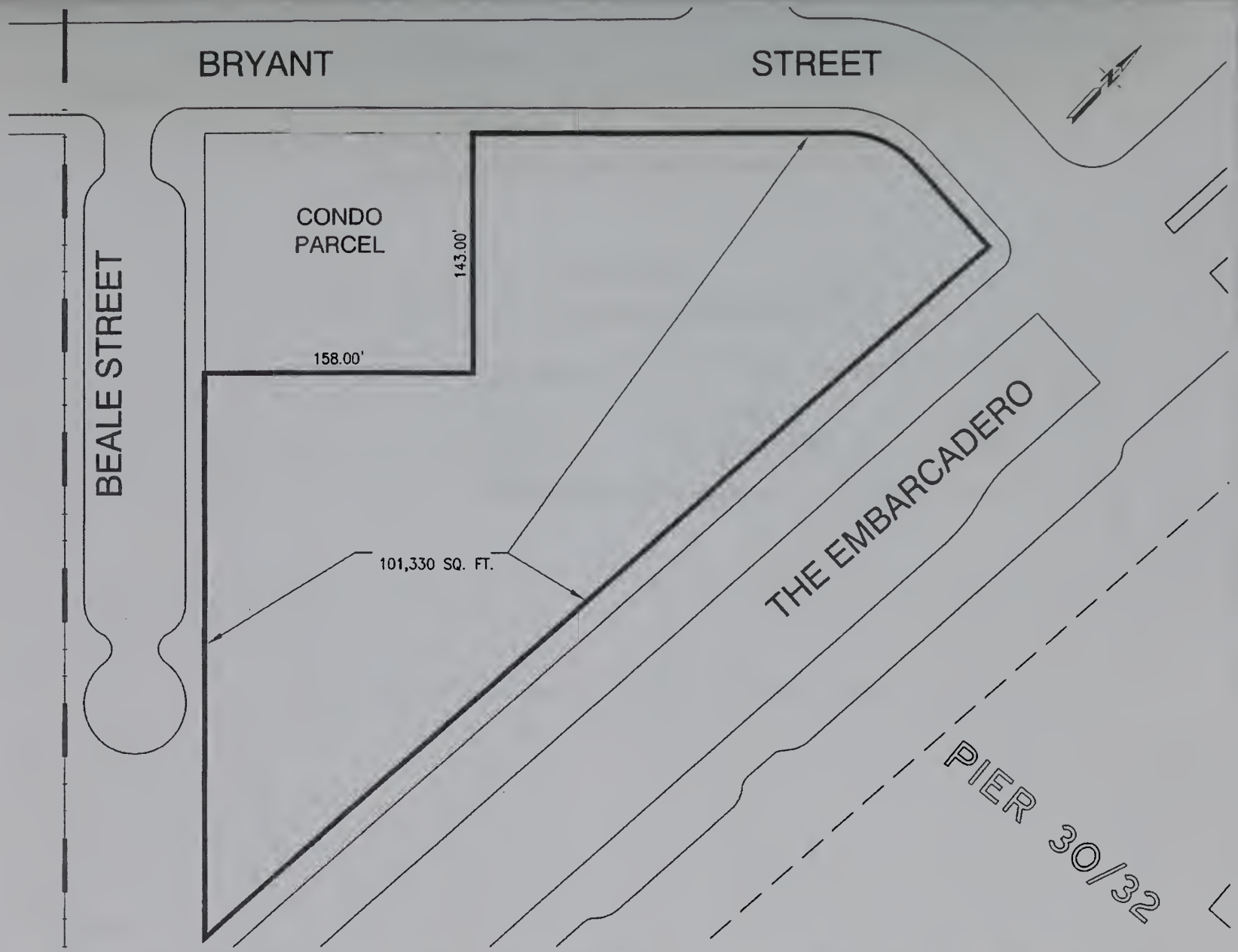



EXHIBIT A

IN TIA: S. PORT. _____ TENANT: _____ DATE: _____

| | | | | |
|---|---|---|---|---|
| LEASE NO. | SAN FRANCISCO PORT COMMISSION<br>PORT OF SAN FRANCISCO<br>DEPARTMENT OF ENGINEERING | TENANT<br>**SEAWALL LOT 330** | DRAWN BY: AMN<br>CHECKED BY: M. LOZOVOY<br>PLACE CODE NO. 3300-00 | DATE: JAN 21, 2010<br>SCALE: 1" = 80'<br>SHEET NO. 1 OF 1 SHEETS |

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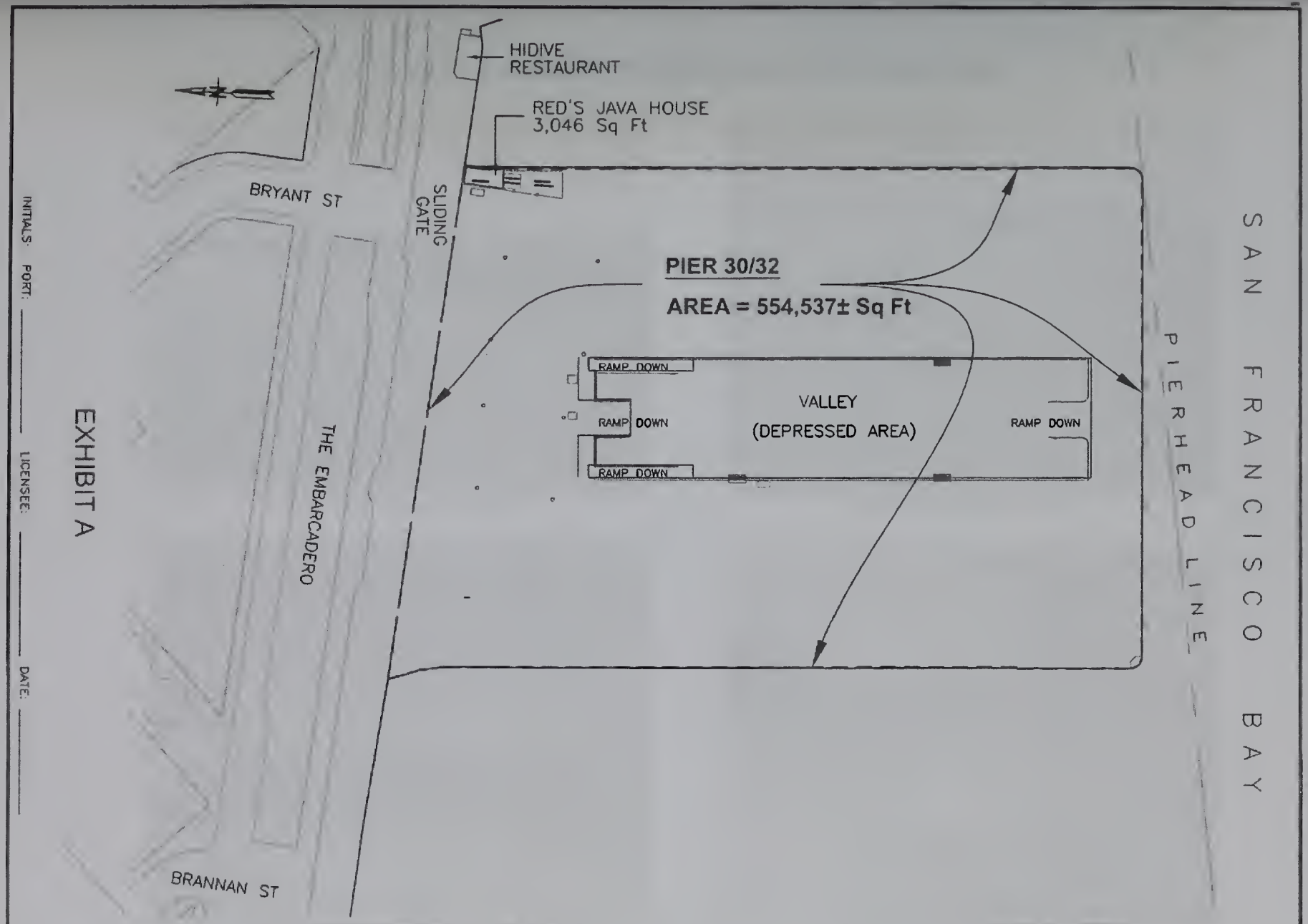



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
PORT DEPARTMENT OF ENGINEERING

# PIER 30/32

| | |
|---|---|
| DRAWN BY: ECC, ANN | DATE: AUG 1, 2012 |
| CHECKED BY: M. LOZOVOY | SCALE: 1" = 150' |
| PLACE CODE NO. 1300-00, 1320-00 | SHEET NO. 1 OF 1 SHEET |

# SUBJECT & NEIGHBORHOOD PHOTOGRAPHS

Subject Piers 30 and 32 view south

Subject Piers 30 and 32 view east

Subject Piers 30 and 32 view northeast

Subject Seawall Lot 330 view south

# SUBJECT & NEIGHBORHOOD PHOTOGRAPHS

Subject Seawall Lot view north

Neighborhood view west on Bryant

Neighborhood view north on The Embarcadero

Neighborhood view south on The Embarcadero

A soils report was not provided for review for this portion of the subject property.

## B. Ownership and Sales History

According to the public record, title to the subject is presently held in trust by the City and County of San Francisco under the jurisdiction of the Port of San Francisco. No transfers have occurred in the last three years, according to our research.

## C. Easements and Restrictions

The preliminary title reports provided for review for the Seawall Lot are dated October 5, 2010, and were prepared by Chicago Title Company. The title reports note a number of items, including the Burton Act, which pertains to Public Trust restrictions. The subject is appraised assuming the Public Trust limitations have been lifted. The title reports also note matters pertaining to street widening and street vacating. Mineral rights are also excluded. Overall, the exceptions noted in the title reports do not appear to adversely affect utility or marketability of title to the subject property. It is noted that the title reports do not cover the portion of Main Street that has been vacated and is now a part of the subject property appraised. This appraisal assumes no adverse easements or restrictions affect this portion of the subject property.

The preliminary title report provided for review for Piers 30 - 32 is dated March 3, 2003, and was prepared by Chicago Title Company. This title report notes some of the same restrictions affecting the Seawall Lot site, including the lack of mineral rights, and the Public Trust issues.

Since the preliminary title reports are somewhat dated, this appraisal assumes that no adverse easements or restrictions have been recorded since the date of the title reports provided for review.

## D. Taxes and Assessments

In California, real property is assessed at full market value as determined by the County Assessor at the time of transfer. A property's assessed value may be increased by a maximum of two percent annually, as mandated by Proposition 13, until the property transfers or is improved. Therefore until the time of transfer, assessed values and property taxes are predictable with great accuracy. Historical taxes have minimal relevance as they are reset at the time of transfer.

Due to the public ownership of the subject property, ad valorem taxes are not assessed against the properties.

## E. Zoning and Land Use Controls

*Seawall Lot Site*

The subject Seawall Lot property is zoned South Beach Down Town Residential, which is described in the Planning Code as follows:

> *"The South Beach Downtown Residential Mixed Use District (SB-DTR), the boundaries of which are shown in Section Map No. 1 of the Zoning Map, is established for the purposes set forth below. The SB-DTR District is adjacent to the southern edge of the downtown, generally bounded by the Bay Bridge, Bryant Street, the Embarcadero, and 2nd Street, and is primarily comprised of the former South Beach Redevelopment Area. High-density residential uses and supporting commercial and institutional uses are allowed and encouraged within the limits set by height, bulk, and tower spacing controls. Individual townhouse dwelling units with ground floor entries directly to the street are generally required on streets.*
>
> *While lot coverage is limited for all levels with residential uses that do not face onto streets or alleys, traditional rear yard open spaces are not required. Specific height, bulk, and setback controls establish appropriate heights for both towers and mid-rise podium development and ensure adequate spacing between towers in order to establish a neighborhood scale and ensure light and air to streets and open spaces. Setbacks are required where necessary to provide transition space for ground floor residential uses and to ensure sunlight access to streets and open spaces. Off-street parking must be located below grade."*

There is no designated maximum density for residential uses in this district. The height limit for the subject site varies from 65 feet to 105 feet. Nonresidential uses are permitted up to a ratio of one to six square feet of residential use. Parking is not required for residential uses, and are permitted up to a maximum of 0.75 stalls per unit. Parking above grade level is not permitted.

The subject is also located in the Eastern Neighborhoods area and is in the Tier 1, for which an Infrastructure Impact Fee of $8.24 per gross square foot of net additional residential area ($6.18 per square foot of commercial) applies to new development.

The Seawall Lot Site is affected by two pieces of State legislation. SB 815 declared that Seawall Lots 328, 330 and 337 were free from the use requirement of the Public Trust. The Port therefore has the ability to enter into long-term ground leases for non-trust uses of Seawall Lot 330 of up to 75 years, but not extending past 2094.

Subsequently, AB 418 authorized the Port to sell the fee interest in Seawall Lot 330 free of the Public Trust, or to lease Seawall Lot 330 for non-trust uses on terms similar to those in SB 815, subject to certain requirements and required approvals by the State Lands.

The Port's Waterfront Land Use Plan (WLUP) was approved June 1997. The WLUP allows residential, hotel, assembly/entertainment, and parking on the subject Seawall Lot Site.

*Waterfront Site (Piers 30 - 32)*

The subject Waterfront site is zoned M-2, Heavy Industrial, with a 40-foot height limit and a floor area ratio maximum of 5.0:1. M-2 is the least restrictive zoning in the City. However, there are a series of other land use regulations affecting this site, as summarized in the table on the following page.

The most significant restriction is the Public Trust and the Burton Act. The Public Trust generally limits use to maritime, recreational, visitor-serving related uses, and precludes residential use. The Burton Act limits ground leases to 66 years.

The San Francisco BCDC retains regulatory control over development within the Bay, and within 100 feet of the shoreline. BCDC has broad powers to approve or disallow proposed development under its jurisdiction. Our research indicates that key elements of successful projects include improving public access to the Bay/waterfront, encouraging interaction between the public and the waterfront, and preserving, enhancing, and/or creating new view corridors. BCDC typically does not weigh in on a project until late stages of the design and approval process.

The subject is also within the Waterfront Special Use District No.1, which is part of the San Francisco Planning Code. According to the code, "...uses associated with waterborne commerce, navigation, fisheries and recreation, and industrial, commercial and other operations directly related (thereto)..." are permitted.

Proposition H was passed in 1990 by voter initiative, banning hotels on waterfront sites, and authorizing the Port to create a Waterfront Land Use Plan (WLUP), in order to define acceptable uses for waterfront and other Port-owned property.

The Waterfront Land Use Plan (WLUP) was approved June 1997. The WLUP prohibits residential and hotel uses, and allows retail/restaurant uses, assembly/entertainment uses and existing industrial uses. Maritime uses and maritime-related office and educational uses, are also permitted, as is accessory parking.

**PIERS 30 - 32 LAND USE RESTRICTIONS**
Appraisal of Piers 30 - 32, Seawall Lot 330
San Francisco, California

| | | | Development Permitted | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Land Use Control | Authori | Descri ion | Maritime | sidential | Office | Retail/ Restaurant | Hotel | Industrial | Educational | Assembly/ Entertainment | Parkin |

*Source: Carneghi-Blum & Partners, Inc. September 2012, 12-ASF-425*

In 2001, the State Legislature passed AB 1389 (amended in 2003), which was the enabling legislation that allowed for the Bovis Lend Lease cruise ship terminal project on Piers 30 - 32, including certain non-trust uses. In addition to the cruise ship terminal, the proposed project included 200,000 square feet of trust and non-trust retail, 300,000 square feet of office, 25,000 square feet of accessory office, and 7 acres of open space on Piers 30-32.

Bovis Lend Lease ultimately abandoned the cruise ship terminal project, after completing only the Watermark condominium project on a portion of Seawall Lot 330, due in part to the high cost of substructure repairs. The Port has since commenced construction on a new cruise ship terminal at Piers 27 - 29. Therefore, the cruise ship terminal development plan and related uses is no longer a viable option.

In summary, the subject Piers 30 - 32 remain a highly regulated development site with very limited allowed uses. Permitted uses generally include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. Parking is permitted as an accessory use. Open space and public access are also allowed.

## F. Flood Zone and Seismic Zone

San Francisco has historically not participated in the federal flood insurance program. No flood zone rating is available for the subject.

According to governmental geological evaluations, the entire San Francisco Bay Area is located in a seismic zone. No active faults, however, are known to exist on the subject property. Inasmuch as similar seismic conditions generally affect competitive properties, no adverse impact on the subject property is considered. The subject is not located in an Alquist Priolo earthquake zone.

## G. Environmental Observations

No toxic or environmental contamination was observed based on our inspection of the subject property. A Hazardous Materials Investigation prepared by Subsurface Consultants, Inc. (SCI) and dated June 28, 2001 indicated that there are elevated levels of some toxic compounds and metals, but that they are below the levels that require remediation. There is some evidence of methane generation, which may be due to decomposition of organic material in the Bay mud. Some of the excavated soil may need to be disposed of in a Class I hazardous waste landfill, due to elevated lead concentrations. However, excavate fill below threshold levels would not require special treatment. According to the report, elevated levels of TPH and/or VOCs in the groundwater samples are typical of other nearby waterfront properties.

Sampling was conducted in the areas planned for excavation, and the contemplated plan at that time did not include a basement garage. Since the current assignment specifically presumes a below-grade garage, and considering the time that has passed since the soil sampling was completed, more extensive soil and ground water sampling would likely be required as part of the due diligence for any proposed development. However, the information provided to the appraisers does not suggest any environmental contamination above and beyond what is typically found at San Francisco development sites.

An environmental report was not available for the Waterfront Site (Piers 30 - 32). This appraisal assumes that the Waterfront site is unaffected by adverse environmental contamination.

## H. Existing Improvements

The subject Seawall Lot is presently improved as a paved parking lot. The Waterfront Site is paved and currently partially used as a staging area for the 34th America's Cup race. It has been historically used as a pay parking lot. There is a small restaurant/bar (Red's Java House) at the northwest corner of Pier 30, which is leased on a short-term basis and space for this tenant will be incorporated into any new development, according to the Port. The existing improvements are relatively old and in fair condition, with no contributory value to the larger pier structure.

# V. HIGHEST AND BEST USE ANALYSIS AND VALUATION METHODOLOGY

## A. Highest and Best Use

Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.[1] The four criteria the highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum productivity. Analysis of the subject's highest and best use is made as if the site were vacant, and as improved with the existing improvements.

[1] *The Appraisal of Real Estate, 13th Edition, 2008, p.277-278*

### *1. Seawall Lot Site (Seawall Lot 330)*

#### *a. Legal Permissibility*

The subject property is located in an area zoned for medium to high-density residential with ground floor commercial uses allowed. The height limit and zoning limit the use of the site to residential and ground floor commercial. The zoning does not appear to adversely impact the highest and best use of the subject site.

As a condition of this assignment, the appraisers have been instructed to assume that the subject Seawall Lot site is free of Public Trust use restrictions.

#### *b. Physical Possibility*

The subject site is irregularly shaped but functional. The site has extensive street frontage on three streets. It is generally level and at street grade. The physical characteristics of the site do not adversely affect the development potential of the site. Piles will be required due to the nature of the area soils, but this type of foundation is typical for sites in San Francisco.

#### *c. Financial Feasibility*

Apartment development is currently feasible, and recently for-sale condominium developers have begun a number of projects throughout the city, which are reportedly experiencing faster than anticipated absorption, and relatively high per square foot prices. The outlook for the residential market in San Francisco is quite strong in the medium

and long term. Incorporating a hotel component into the larger residential development could potentially be feasible, depending on the developer's specific plan. However, the track record of this type of development has been inconsistent in San Francisco, so a partial hotel use is considered a speculative option pending a specific development plan.

*d. Maximally Productive/Highest and Best Use Conclusion*

The maximally productive use of the subject site is to pursue entitlements for multi-family housing, either rental or for-sale, with construction timed for delivery as the market and economy indicate. Inclusion of a hotel component or condominium-hotel hybrid development may also be feasible, but would not, in our opinion, likely result in a higher net land value.

The highest and best use of the site under the ground lease scenario would be limited to rental housing. Under the fee simple ownership scenario, the highest and best use could be either for-sale residential condominiums, or rental apartments.

*2. Waterfront Site (Piers 30 - 32)*

*a. Legal Permissibility*

As discussed in the previous chapter, commercial development of the Waterfront Site is highly regulated, and a narrow range of possible uses are permitted due to Public Trust and other land use controls.

Permitted uses generally include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. Parking is permitted as an accessory use. Open space and public access are also allowed. However, any development requiring an improvement to the pier is subject to the approval for compliance with the McAteer-Petris Act and consistency with BCDC's Special Area Plan.

*b. Physical Possibility*

The subject site is a pier structure that is reportedly in need of significant repairs. The highest and best use of the site assumes necessary repairs have been completed.

The subject piers consist of a rectangular, level site of approximately 533,778 square feet (12.71 acres), as well as 88,889 square feet of water area within the Port's pierhead line. The site has extensive street frontage on The Embarcadero, with adequate accessibility to support most types of legally allowed uses. It is surrounded by water on three sides. The client has instructed the appraisers to assume that 35 percent of the site (including the perimeter) will have to remain open space for public access, and that the developer would be responsible for those improvements. The developable site area is therefore approximately 360,000 square feet (533,778 square feet x 65%, rounded).

Development constraints on the building envelope include a 40-foot height limit and a 5.0 to 1 floor area ratio (FAR). The maximum potentially feasible FAR is much lower, however, due primarily to the height limit, but also to aesthetic design requirements for the uses which are legally allowed; i.e maritime oriented restaurants, retail and assembly. (Although maritime office is allowed it is unlikely to be a significant demand generator). The subject's potential maximum development envelope at 360,000 square feet is so large, that 100 percent coverage would not be feasible. In order to allow for adequate window line, and create a marketable space for tenants, the lot coverage would likely be 50 percent or less.

For commercial development, the height limit restricts the building to no more than two stories. This expectation is supported by recent Port developments on sites with similar height limits and zoning, as summarized in the table on the following page.

The San Francisco Port Development Densities table shows seven projects on sites of 23,644 to 640,768 square feet, with buildings ranging from 18,000 to 240,000 square feet. All but the Ferry Plaza and Hotel Vitale are two stories or less, and reflect FARs ranging from 14 percent (Cruise Terminal) to 76 percent (Epic Roasthouse and Waterbar). Ferry Plaza was an existing historic structure, both this project and Hotel Vitale have C-2 zoning with an 84-foot height limit. Therefore, these two projects are not reliable indicators of the development potential for the subject, which has less than half the height limit of these properties.

Of the remaining comparables, the highest FAR is the Exploratorium, which is utilizing an existing pier shed as the building envelope, and adding a small addition. The lowest FAR is the Cruise Terminal,

**SF PORT RECENT DEVELOPMENT DENSITIES**
Appraisal of Pier 30 - 32. Sewall Lot 330
San Francisco, California

| No. | Location | Date | Site/Pier Area (SF) | Building Area (SF) Stories | Floor Area Ratio (FAR) | Planned Development | Zoning FAR Height Limit | Developer |
|---|---|---|---|---|---|---|---|---|
| 1 | **Exploratorium**<br>Piers 15 - 17<br>APN: 9900-015,-017 | 2010<br>(construction start) | 127,388 SF P 15<br>102,067 SF P 17<br>229,455 SF Total<br>5.27 AC | 227,000 SF Est. | 99% | Renovate existing 1-story shed on Pier 15 and add a small 2-story Observatory building. Use Pier 17 for storage currently, possibly future expansion. Reportedly $205 million project | M-1<br>5.0:1<br>40' | The Exploratorium |
| 2 | **Cruise Ship Terminal**<br>Pier 27 - 29<br>APN: 9900-027,-029 | 8/12<br>(lease with America's Cup) | 384,446 SF P 27<br>125,642 SF P 29<br>130,680 SF GTA<br>640,768 SF Total<br>14.71 AC | 88,000 SF<br>2-story | 14% | Demolish 220,000 SF of pier sheds and replace with 88,00 SF, 2-story cruise ship terminal plus 2.5-acre park, 3-acre paved "valley" between Piers 27 & 29 to be Ground Transportation Area (GTA) for buses, taxis, trucks | M-1<br>5.0:1<br>40' | SF Port |
| 3 | **Epic Roasthouse/Waterbar**<br>369 & 399 The Embarcadero<br>APN: 3743-001 | 1/08<br>(lease signed) | 23,644 SF<br>0.54 AC | 18,000 SF<br>2-story | 76% | New leasehold construction: 2, 2-story restaurants totaling 18,000 SF plus 8,000 SF outdoor piazza. Adjacent to Rincon Park. 15-yr lease at $41/SF bldg.+annual CPI 7% overage. | M-1<br>5.0:1<br>64' | JMA Waterfront Partners |
| 4 | **Ferry Plaza**<br>APN: 9900-274 | 2003<br>(completion) | 174,000 SF (est)<br>3.99 AC | 240,000 SF<br>3-story | 138% | Renovate historic Ferry Terminal into a mixed-use project with 65,000 square feet of food hall/retail space and 175,000 square feet of Class A offices | C-2<br>3.6:1 (minimum)<br>84' | Wilson-Meaney-Sullivan |
| 5 | Piers 1 1/2, 3, 5<br>APN: 9900-015,-017 | 2001<br>(developer selected)<br>2007<br>(completion) | 107,854 SF P 1 1/2<br>98,605 SF P 3, 5<br>206,459 SF Total<br>4.74 AC | 77,000 SF<br>2-story | 37% | Renovate existing pier sheds into 60,000 SF office and 17,000 SF restaurants. General office was allowed since renovating the historic structures was viewed as furthering the public interest. | C-2<br>3.6:1 (minimum)<br>84' | Pacific Waterfront Partners |
| 6 | **Hotel Vitale**<br>10 Mission Street<br>APN: 3714-006, -007, -008,-009,-016,-017 | 9/01<br>(terms)<br>9/03<br>(lease signed) | 46,200 SF<br>1.06 AC | 142,000 SF<br>8-story | 307% | 51-year (+14-yr. option) pre-paid ground lease ($11,190,000). Since improved with 200-room hotel + restaurant. | P<br>N/A<br>84' | Emerald Fund & Joi de Vivre |
| 7 | **Pier 39**<br>APN: 9900-039 | 1978 | 229,750 SF Est.<br>5.27 AC | 200,000 SF<br>1 + 2-story | 87% | Festival-themed tourist shopping center with 100+ shops and restaurants. First opened in 1978. | C-2<br>3.6:1 (minimum)<br>40' | Pier 39 LP |
| | **SUBJECT**<br>Piers 30 - 32 | | 553,778 SF (65% developable)<br>12.71 AC | | | | M-2<br>5.0:1<br>40' | |

(1) Estimated contributory value of improvements

*Source: Cameghi-Blum & Partners, Inc. September 2012, 12-ASF-425*

which includes a large bus, car and taxi area, and a public park area. Pier 39 is perhaps the best indicator of the potential development density/FAR of the subject, considering that the use is similar to the highest and best use of the subject, and the height limit is similar. This property reflects an 87 percent FAR.

Based on Port development projects with similar zoning/height limits, the practical maximally feasible FAR on the subject Pier 30 - 32 site is concluded at 100 percent of the maximum 65 percent of the site area that is developable, or 360,000 square feet of total building area (FAR).

Such a density would allow for a mix of one and two-story buildings typically found along the Embarcadero, would fit within the 40-foot height limit, and would permit functional floor plates in a series of small, interconnected and/or detached structures similar to Pier 39. This density would also permit adequate pedestrian circulation through the site, as well as limited accessory parking. Thus, the development potential of the site would be maximized within the allowable building envelope, while optimizing the functional utility of the space, including ceiling height, window line, exposure, and parking proximity.

The legally allowed uses include maritime-related offices, restaurants, retail that does not primarily serve the local residents, and certain assembly/entertainment uses. A large-scale assembly/entertainment venue such as an arena would not be physically feasible within the 40-foot height limit.

c. *Financial Feasibility*

Of the legally allowed and physically possible uses, demand is not likely sufficient to support speculative development of marine-related offices. Development of a large-scale tourist or maritime-related retail project (ala Pier 39), would likely not be supported due to the limited marginal demand for additional tourist-themed retail use, and the lack of synergies in the surrounding area (such as in the Fisherman's Wharf area). The size of the subject would also be of concern, as it would be nearly twice as large as Pier 39. A retail development that included one or more large anchor tenants (department store or value retailer) would most likely be perceived as primarily serving local residents, rather than bringing new people to the waterfront from outside the area. The size of the project would also make a restaurant-themed

development challenging. Restaurants are typically 3,000 to 5,000 square feet. Even the large-scale restaurants Epic Roasthouse and Waterbar are only 18,000 square feet, combined.

Economic conditions on a national level, and the challenges facing retailers due to Internet competition and changing consumption patterns would also likely limit the interest of retailers, especially the anchors and large chains necessary to secure financing for this size development.

Other less mainstream developments, such as a regionally focused food venue might gain level of interest but not likely sufficient interest to tenant this size project. A convention or meeting/assembly venue could fit on the site, but it is most likely not financially feasible for a private sector developer to construct a stand-alone meeting/convention facility. Such facilities are almost exclusively developed by the public sector, or with significant financial support of the public sector.

Utilizing the site for parking reflects an interim use, but is not considered the highest and best use on a long-term basis.

The financial feasibility of the legally allowed and physically possible uses are uncertain, particularly for a large scale developments such as this. A combination of the uses may provide the synergy necessary for a successful development. An entertainment and restaurant-oriented retail project with ancillary office and parking, and possibly a public assembly component, could be viable, but may not prove financially feasible, especially at the scale of the subject site. Even if an event venue such as an indoor arena were physically possible within the 40-foot height limit restrictions, it would not likely be financially feasible without a significant level of public subsidy, over and above the cost of repairing the piers.

*d. Maximally Productive/Highest and Best Use Conclusion*

The maximally productive use of the subject site is to therefore to pursue entitlements for a proposed mixed-use entertainment and restaurant-oriented retail project with ancillary office and parking, and possibly a public assembly component.

## B. Valuation Methodology

The valuation of any parcel of real estate is derived principally through three approaches to market value. From the indications of these analyses and the weight accorded to each, an opinion of value is reached. Each approach is more particularly described below.

### *1. Cost Approach*

This approach is the summation of the estimated value of the land, as if vacant, and the reproduction of replacement cost of the improvements. From these are deducted the appraiser's estimate of physical deterioration, functional obsolescence and economic obsolescence, as observed during inspection of the property and its environs. The Cost Approach is based on the premise that, except most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site.

### *2. Sales Comparison Approach*

This approach is based on the principal of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is essential that the sale prices be reduced to common denominators to relate the degree of comparability to the property under appraisal. The difficulty in this approach is that two properties are never exactly alike.

### *3. Income Approach*

An investment property is typically valued in proportion to its ability to produce income. Hence, the Income Approach involves an analysis of the property in terms of its ability to provide a net annual income. This estimated income is then capitalized at a rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments. In this analysis, direct capitalization is used, which is explained more fully in the Income Approach chapter.

In this analysis, the fee simple market value of the land is valued using the Sales Comparison Approach, which is the most reliable method for vacant land. The Cost and Income Approaches lack relevance for vacant land and are not included in this analysis. Market rent for each site is estimated by applying a market-derived rate of return to the underlying site value conclusion.

## VI. FEE SIMPLE LAND VALUATION - SEAWALL LOT SITE

The fee value of the subject Seawall Lot 330 site is best measured by prices generally paid for similarly zoned properties in the surrounding area, with similar highest and best uses.

The comparables are adjusted for various factors including market conditions, location, utility, entitlements, size, zoning, and physical characteristics. Financing terms and the conditions of each sale are also considered. The table on the following page summarizes recent land transactions in the subject marketplace considered comparable to the subject property. The sales have been verified by public record and/or substantiated with the principles involved in the transaction. The comparables are individually discussed below. They are all cash to seller transactions unless specified otherwise.

For unentitled residential land, the most reliable basis of analysis is price per square foot of land area. Price per proposed dwelling unit is less reliable and therefore it is considered in a secondary capacity, due to the uncertainty of the ultimate density of development that will be approved for the site.

### A. Comparable Land Sale Data

***Residential Land Sale 1*** is located at the southeast corner of Oak and Franklin Streets in the Hayes Valley neighborhood of San Francisco. The site consists of three parcels that form a flag-shaped site with a approximately 54 feet of frontage on Market Street in addition to the corner frontage on Oak and Franklin Streets. The site contains approximately 22,338 square feet, or 0.51 acres. It is level, at street grade, and was paved for use as a pay parking lot at the time of sale. The site is zoned C-3-G, which permits residential and commercial uses, but general office use requires a conditional use permit. The maximum FAR is 6.0:1. The site was unentitled at the time of sale. However, a development proposal provided as part of the marketing package indicated 115 dwelling units in a seven-story structure, with a total oaf 127,708 square feet. The proposed development appears to maximize the building envelope, reflecting a 5.7 FAR. The site is located in the Market-Octavia Impact Fee area, and impact fees are $9.27 per square foot of residential building area. The inclusionary housing requirement is 15 percent.

The site was marketed and competitively bid among a number of residential developers, as well as at least one other school, besides the ultimate purchaser, the French-American International School. The site sold for $9,000,000, which is equivalent to $403 per square foot of land, and $78,261 per dwelling unit. The broker reported that the interest was strong enough that an additional round of bidding could have been undertaken, potentially resulting in a higher price. However, the seller reportedly preferred to sell the site to the school.

## COMPARABLE RESIDENTIAL LAND SALES

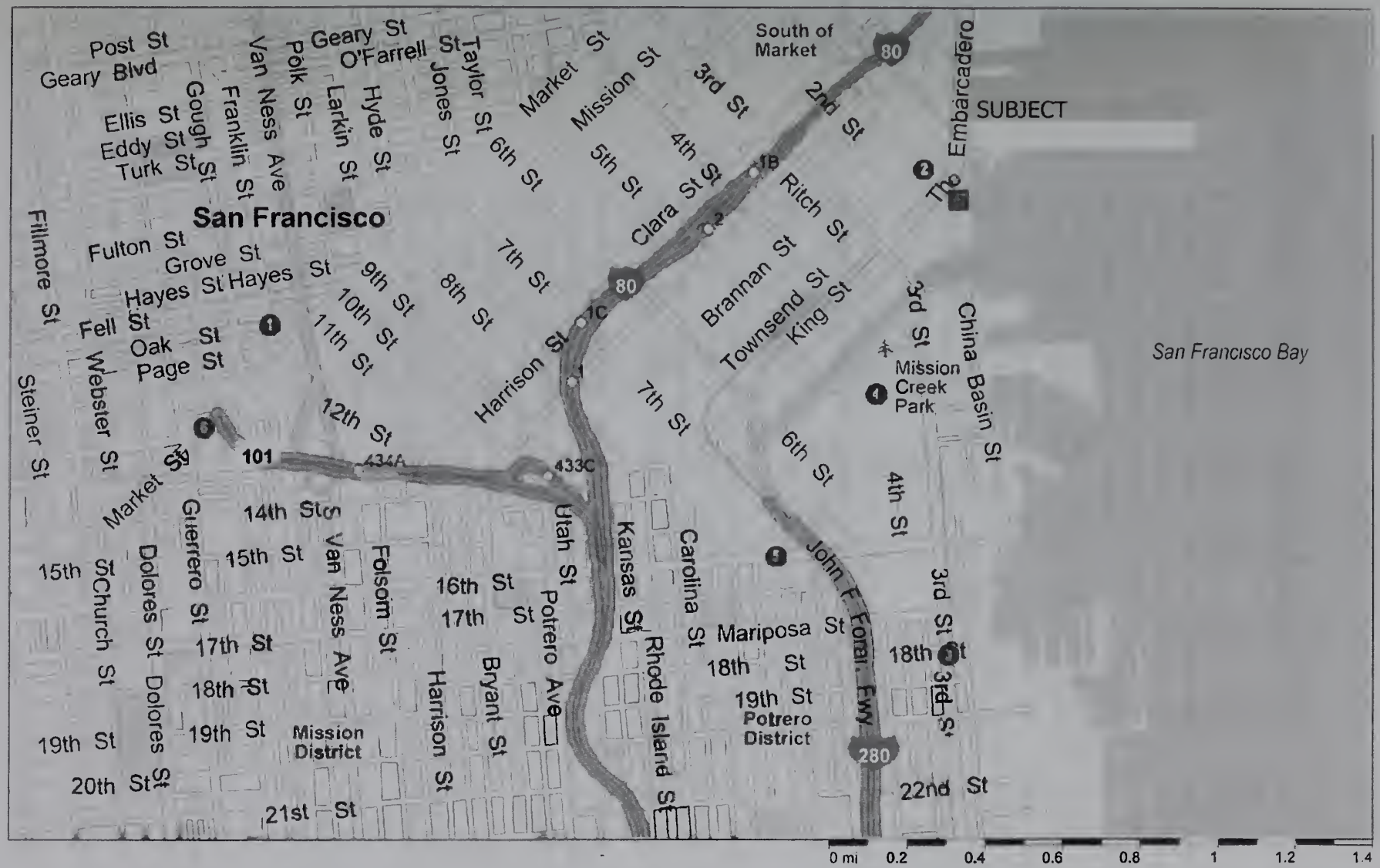
Appraisal of Seawall Lot 330
San Francisco California

| No. | Location | Sale Date | Land Area | Sale Price | Price Per SF Land Area | Proposed Dwelling Units DU/Acre | Price per Residential Dwelling Unit | Planned Development | Zoning Height Limit On-Site BMR % Impact Fees/SF (1) | Grantor/ Grantee/ Document No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 98 Franklin Street<br>San Francisco<br>APN 0836-008, -009, -013 | 8/12 | 22,338 SF<br>0.51 AC | $9,000,000<br>(unentitled) | $403 | 115 Dus (est.)<br>224 DU/Ac | $78,261 | Corner parking lot on Oak Street. Purchased by adjacent school, but was bid on by multiple residential developers. | C-3-G<br>85'<br>15%<br>$9.27 | Columbus Environmental Co. LP / 98 Franklin Street LLC<br>#464748 |
| 2 | 72 Townsend Street<br>San Francisco<br>APN 3769-972, -0974 | 5/12 | 29,101 SF<br>0.67 AC | $11,800,000<br>(entitled) | $405 | 74 DUs<br>111 DU/Ac | $159,459 | Entitled for 74 DUs in 9-story bldg. Buyer also reimbursed $400k for bldg permits. | SB-DTR<br>105'<br>15%<br>$8.24/SF | Northshore Resources IX LP / Hooper's Ventures, LLC<br>#405440 |
| 3 | 2121-41 Third Street<br>San Francisco<br>APN 4045-002, -006 | 2/12 | 22,242 SF<br>0.51 AC | $6,900,000<br>(entitled) | $310 | 106 DUs<br>208 DU/Ac | $65,094 | Entitled for 106 DUs in a 6-story building with 80 parking stalls. | UMU<br>68'<br>17%<br>$12.60/SF | Richard K. Pooler, Inc. / Mission Piers Development LLC<br>#347625 |
| 4 | 650-690 Long Bridge St.<br>Mission Bay Block 13 West<br>San Francisco<br>APN 8711-013 | 11/11 | 69,696 SF<br>1.60 AC | $32,760,000<br>(entitled) | $470 | 273 DUs<br>171 DU/Ac | $120,000 | Site entitled for 273 DUs. No BMR requirement. | MB-RA<br>N/A<br>None<br>Apx $7.79/SF (Bonds) | Bosa Development CA II, Inc./ BRE Properties Inc.<br>#K525-0772 |
| 5 | 1000 16th Street<br>San Francisco<br>APN 3833-001 thru -033, 3834-001 | 9/11 | 136,969 SF<br>3.14 AC | $36,100,000<br>(not entitled) | $264 | 470 DUs<br>149 DU/Ac | $76,809 | Proposed for 470 DUs plus 25,000 SF commercial/PDR space. Entitlements nearly complete at COE. | UMU<br>68'<br>20%<br>$8.24/SF | Cherokee Mission Bay LLC / Archstone Apartments<br>#259169 |
| 6 | 1844 Market Street<br>San Francisco<br>APN 0871-016 | 5/11 | 22,880 SF<br>0.53 AC | $8,000,000 (2)<br>$1,100,000 (3)<br>$9,100,000<br>(entitled) | $398 | 113 DUs<br>215 DU/Ac | $80,531 | Entitled for 113 DUs over 3,745sf of commercial space and subterranean gerage with 84 spaces. | NCT-3<br>85'<br>12%<br>$12.60/SF | Upper Market Place, LLC<br>1844 Market Street LLC<br>#179627 |
| | Subject | | 101,330 SF<br>2.33 AC | | | 232 Dus (est.)<br>100 DU/Ac<br>to<br>291 Dus (est.)<br>125 DU/Ac | | | SB-DTR<br>65' - 105'<br>15%<br>$8.24/SF | |

(1) Neighborhood-specific impact fees per GROSS SF of market-rate residential building area (fees were reduced and basis was changed from net to gross in December 2010).
(2) Price paid for outstanding note on the property.
(3) Amount paid to prior owner ($1,500,000), less estimated value of crane ($400,000).

*Source: Cameghi-Blum & Partners, Inc., September 2012, 12-ASF-425*

# RESIDENTIAL LAND SALES LOCATION MAP

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*Residential Land Sale 2* is the sale of the property located at 72 Townsend Street, between First and Second Streets in the South Beach area of San Francisco. The rectangular shaped site contains 29,101 square feet of land area (0.67 acres) and is situated at the northwest corner of Townsend Street and Colin P. Kelly Jr. Streets. The property has a zoning designation of South Beach Downtown Residential Mixed-Use District (SB-DTR) and has a maximum height limit of 105 feet. The site is improved with a 28,839 rentable square foot, brick and timber building that was built in 1874 and renovated for office use in 2010, and a parking garage with 16 parking spaces. The property is fully leased to Federated Media Publishing through 2015. Reportedly, the existing rental rate is significantly below current market levels and the lease includes a termination clause allowing the owner to terminate the lease in 2013 without penalty.

The property is entitled for the development of a 9-story, 74 unit residential condominium project with 5,000 square feet of commercial space and two levels of parking with 74 parking spaces. The existing historic building facade will be incorporated into the proposed development.

In May 2012, Hooper's Ventures, LLC purchased this property from Northshore Resources IX, LP for $11,800,000, or $405 per square foot of land area and $159,459 per proposed residential dwelling unit. Reportedly, the buyer also reimbursed the seller for the cost of the building permits, which were approximately $400,000.

*Residential Land Sale 3* is the sale of the site located at 2121-41 Third Street in the Potrero Hill neighborhood of San Francisco. The property is located mid-block on the east side of Third Street between 18th Street and 19th Street. The property consists of two contiguous parcels totaling approximately 22,242 square feet of land area (0.51 acres). There is approximately 120 linear feet of street frontage on Third Street and approximately 120 linear feet of street frontage on Illinois Street. The property is entitled for a 6-story, 106 dwelling unit building. The property is zoned Urban Mixed Use (UMU) with a height limit of 68 feet. The inclusionary BMR requirement is 17 percent. Impact Fees are $12.60 per square foot.

In February 2012, the property was purchased by a developer for $6,900,000, equivalent to $310 per square foot of land area and $65,094 per proposed residential dwelling unit.

*Residential Land Sale 4* is the sale of the site located at 650-690 Long Bridge Street in the Mission Bay neighborhood of San Francisco. The single, rectangular site is located at the terminus of Long Bridge Street, with additional street frontage on Channel Street. The site contains 69,696 square feet (1.60 acres). The site was vacant at the time of sale. The site is entitled for 273 residential dwelling units. There is no BMR requirement. The parcels are located within an assessment district. The

current maximum assessment for undeveloped and for-sale residential properties within the district is $138,965.36 per acre, or $3.19 per square foot of land area, annually. The maximum amount increases on an annual basis and the bonds expire in approximately 2028. Based on an 8 percent discount rate, the present value of the bond obligation is approximately $30.50 per square foot of land area. Otherwise sites in Mission Bay are not subject to other impact fees. Assuming an average gross unit size of 1,000 square feet, the impact fees are equivalent to approximately $7.79 per square foot of proposed building area.

In November 2011, the property was purchased by a developer for $32,760,000, equivalent to $470 per square foot of land area and $120,000 per proposed residential dwelling unit.

***Residential Land Sale 5*** is the sale of the site located at 1000 16th Street, at the northwest corner of 7th Street, in San Francisco. The site contains four parcels totaling 136,969 square feet of land area (3.14 acres). Daggett Street, a one block road, separates the three northern parcels from the southern parcel. The property is zoned UMU and has a height limit of 68 feet. The unimproved site is nearly entitled for development of 470 residential units plus 25,000 square feet of commercial space. The inclusionary BMR requirement is 20 percent of the total units. Reportedly, Daggett Street will be vacated and improved as a park. Impact Fees are $12.60 per square foot.

In September 2011, Archstone Apartments purchased this property from Cherokee Mission Bay, LLC for $36,100,000 or $264 per square foot of land area and $76,809 per proposed residential dwelling unit.

***Residential Land Sale 6*** is the sale of the property located at 1844 Market Street, between Octavia and Laguna Streets in San Francisco. The parcel contains 22,880 square feet of land area (0.53 acres). The site has approximately 198 feet of frontage along the north side of Market Street and 95 feet along the south side of Waller Street. The property is zoned NCT-3 and has a height limit of 85 feet. The site is entitled for development of 113 residential units, and two retail units on the Market Street side. The proposed building will have 8 floors of units plus 3 levels of underground parking. The unit mix includes 59 one-bedroom, one-bath units, 51 two-bedroom, two bath units, and 3 three-bedroom, two-bath units. Parking for 84 vehicles, or 0.74 spaces per residential unit, will be provided on three subterranean levels. Total saleable unit area will be 90,651 square feet, of which 86,906 square feet is residential, and 3,745 square feet is ground floor retail. Total gross building area will be 184,413 square feet. Construction will be reinforced concrete, and will be U-shaped with a central courtyard and towers facing both Market and Waller Streets. The property is currently vacant and the site has been partially excavated with some shoring completed to date. A total of 14 units, or 12.4 percent of the total

units are designated as inclusionary BMR units. Impact Fees are $12.60 per square foot.

In May 2011, 1844 Market Street LLC (MacFarlane Partners) purchased the existing note on this property from East West Bank for $8 million. In addition, the buyer paid $1.5 million to the Centrix Builders, Inc., the previous owner of the property. The amount paid to Centrix included an approximately $1.1 million buyout plus approximately $400,000 for the crane situated at the site. Adding the $1.1 million to the price of the note indicates a total purchase price of $9.1 million, or $398 per square foot of land area and $80,531 for each residential dwelling unit. The buyer intends to develop the approved project.

***Residential Land Sales 5a and 5b*** consists of two non-contiguous parcels located in the Mission Bay Redevelopment Area. The total site area consists of approximately 160,905 square feet of land area, or 3.69 acres. The sites are entitled for two buildings containing 360 market rate residential units with 17,000 square feet of ground floor commercial space. The properties are zoned MB-RA and there are no on-site requirements for below market rate(BMR) units. The sites are identified as Blocks 5 and 11 and are further identified by the San Francisco Assessor as Block 8711, Lot 017 and Block 8710, Lot 007. The parcels are located within an assessment district. The current maximum assessment for undeveloped and for-sale residential properties within the district is $138,965.36 per acre, or $3.19 per square foot of land area, annually. The maximum amount increases on an annual basis and the bonds expire in approximately 2028.

Comparable 5a represents the sale of Block 5 which sold In April 2011. Bosa Development CA II Inc. sold this parcel to BRE Properties Inc. for $20,700,000, or $264 per square foot of land area and $109,000 per dwelling unit. Comparable 5b represents the sale of Block 11 which sold In April 2011. FOCIL-MB, LLC sold this parcel to BRE Properties Inc. for $20,700,000, or $251 per square foot of land area and $121,765 per dwelling unit. The total price for the two sites is $41.4 million, or $257 per square foot and $115,000 per proposed unit. Based on an 8 percent discount rate, the present value of the bond obligation over the remaining 16 years is approximately $30.50 per square foot of land area. Otherwise sites in Mission Bay are not subject to other impact fees. Assuming an average gross unit size of 1,000 square feet, the impact fees are equivalent to approximately $13.63 per square foot of proposed building area.

## B. Residential Land Sales Analysis

The subject consists of a 2.33-acre site fronting The Embarcadero, in an otherwise built-up, established residential neighborhood. The subject is appraised as an unentitled site. While the previously performed EIR (2002) allowed up to 214 dwelling units on the subject site, this is considered neither a minimum nor a maximum. At 92 dwelling units per acre, it is below the development density of the comparables (105 to 629 dwelling units per acre), and lower than recently approved projects in the downtown area. There are several reasons why this density is not a reliable indicator for the subject.

First , the subject's zoning has changed since the EIR was prepared. San Francisco has been moving away from specific density limitations and towards form-based zoning, in which the density is the result of maximizing the building envelope. This new approach to zoning generally allows greater flexibility in design and therefore, a higher density could ultimately result.

Second, the 92 dwelling unit per acre density is below all of the comparables, including Sale 2, which has the same zoning and a similar height limit. Sales 3 and 5 have an inferior height limit, yet reflect higher densities of 208 and 149 units per acre, respectively. Thus, it would appear very likely that a density in the range of 100 to 125 dwelling units would be reasonably expected by the market.

The ultimate entitled density of the subject is likely to be higher than that allowed under the 2002 EIR, but it remains uncertain, and the property is to be appraised as if unentitled. Therefore, price per dwelling unit is not a reliable indicator, and price per square foot will be used as a primary indicator in this analysis.

The comparables reflect a range of unit values of $264 to $470 per square foot of land area. The range in unit values primarily reflects the development density of the comparables.

Density and price per square foot of land are directly correlated. Although the relationship is not necessarily purely linear (diminishing returns occur at ever higher densities), higher density sites trade at higher prices per square foot of land, all else equal.

Land Sale 1 is a smaller site in a superior Hayes Valley location. A slight downward adjustment is applied for location and project size. The allowable density is higher, for which additional downward adjustment is applied. In other respects, the comparables are generally similar and no additional adjustments are applied. The adjusted unit value is $342 per square foot.

## COMPARABLE RESIDENTIAL LAND SALE ADJUSTMENT GRID

Appraisal of Seawall Lot 330
San Francisco, California

| | Sale 1 | Sale 2 | Sale 3 | Sale 4 | Sale 5 | Sale 6 |
|---|---|---|---|---|---|---|
| | 98 Franklin<br>San Francisco | 72 Townsend<br>San Francisco | 2121-41 Third<br>San Francisco | 650-690 Long Bndge<br>San Francisco | 1000 16th<br>San Francisco | 1844 Market<br>San Francisco |
| Proposed Units | 115 | 74 | 106 | 273 | 470 | 113 |
| Site Size (SF) | 22,338 | 29,101 | 22,242 | 69,696 | 136,969 | 22,880 |
| Density (DU/Ac) | 224 | 111 | 208 | 171 | 149 | 215 |
| Sale Date: | 8/12 | 5/12 | 2/12 | 11/11 | 9/11 | 5/11 |
| Transaction Price: | $9,000,000 | $11,800,000 | $6,900,000 | $32,760,000 | $36,100,000 | $9,100,000 |
| Unadjusted Price/DU | $78,261 | $159,459 | $65,094 | $120,000 | $76,809 | $80,531 |
| **Unadjusted Price/SF** | **$403** | **$405** | **$310** | **$470** | **$264** | **$398** |
| Financing Terms: | 0% | 0% | 0% | 0% | 0% | 0% |
| Conditions of Sale: | 0% | 0% | 0% | 0% | 0% | 0% |
| Adjusted Sale Price: | $9,000,000 | $11,800,000 | $6,900,000 | $32,760,000 | $36,100,000 | $9,100,000 |
| Adjusted Price/SF | $403 | $405 | $310 | $470 | $264 | $398 |
| Market Conditions: | 0% | 0% | 0% | 0% | 5% | 10% |
| Price Adj. For Mkt. Cond. | $403 | $405 | $310 | $470 | $277 | $438 |
| Location: | -5.0% | 0.0% | 10.0% | 0.0% | 10.0% | -5.0% |
| Commercial Appeal | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -5.0% |
| Site Utility: | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Project Size: | -5.0% | -10.0% | -5.0% | 0.0% | 0.0% | -5.0% |
| Height Limit/Density | -5.0% | 0.0% | -5.0% | -5.0% | 0.0% | -5.0% |
| Impact Fees | 0.0% | 0.0% | 5.0% | 0.0% | 0.0% | 5.0% |
| On-Site BMR % | 0.0% | 0.0% | 2.0% | -15.0% | 5.0% | -3.0% |
| Entitlements | 0.0% | -15.0% | -15.0% | -15.0% | -5.0% | -15.0% |
| Total Adjusted %: | -15.0% | -25.0% | -8.0% | -35.0% | 10.0% | -33.0% |
| Adjusted Unit Value for the Subject: | **$342** | **$304** | **$285** | **$306** | **$304** | **$293** |

*Source: Carneghi-Blum & Partners, Inc. September 2012*
*12-ASF-425*

Land Sale 2 is a smaller site than the subject, entitled for a project of similar density, and located in the same zoning district. The smaller project size requires downward adjustment. The entitled nature of the site also requires downward adjustment. In other respects, the comparable is generally similar to the subject and no additional adjustment is applied. The indicated unit value is $304 per square foot.

Land Sale 3 is located in the Dogpatch neighborhood, which is inferior to the subject's waterfront location. Upward adjustment for location is required. Slight downward adjustment is applied for the smaller project size. The site has a higher density, which requires a slight downward adjustment. Impact fees are higher, as is the inclusionary housing requirement. Upward adjustments for theses factors are offset by the entitled nature of the site. The adjusted unit value is $285 per square foot.

Land Sale 4 is a site in the northwestern portion of the Mission Bay redevelopment area. No adjustment for location is applied. A slight downward adjustment for density is applied. Impact fees on this site are similar to the subject, but the lack of an inclusionary housing requirement is a superior feature that requires a downward adjustment. As this site is fully entitled, additional downward adjustment is warranted for this factor. The adjusted unit value is $306 per square foot.

Land Sale 5 is located not far from Land Sale 2. The location warrants an upward adjustment. Market conditions have continued to improve since this sale closed. The height limit is inferior, although the overall density is slightly higher, which is offsetting. The inclusionary housing requirement is more onerous for this comparable, requiring an upward adjustment with respect to the subject. Likewise, impact fees are higher, and an additional upward adjustment is required for this factor. Although not fully entitled at the time of sale, this comparable was well on its way to being entitled, so a slight downward adjustment is applied. The adjusted unit value is $304 per square foot.

Land Sale 6 is located in the Upper Market area, which is considered a slightly superior overall location. The date of sale requires upward adjustment, as the market has continued to improve. The comparable is smaller than the subject, and it has superior commercial appeal. It is also a higher density site. These factors are partially offset by the comparable's higher impact fees. Finally, downward adjustments are necessary for he comparable's lower inclusionary housing requirement, and fully entitled status. The adjusted unit value is $293 per square foot.

## C. Fee Simple Land Value Conclusion

The comparables, after adjustment, support an adjusted price per square foot of land of $293 to $342 per square foot of land. Sale 1 represents the high end of the range. It is a smaller site in a superior location. Further, the zoning is more flexible. The remaining comparables reflect a range of $293 to $306. Considering the size and unentitled status of the subject, as well as the uncertain density likely to be permitted, balanced with the appeal of the waterfront-oriented location, a mid-range unit value of $300 per square foot of land area is therefore concluded and used in this analysis. The fee simple market value of the Seawall Lot Site is therefore estimated as follows:

| | | | | |
|---|---|---|---|---|
| 101,330 square feet land | x | $300 per square foot | = | $30,399,000 |
| Rounded: | | | | $30,400,000 |

At a likely entitled density of 100 to 125 dwelling units per acre, a total 233 to 291 dwelling units would be possible. The fee simple land value concluded above is equivalent to approximately $104,000 to $130,000 per dwelling unit, based on this density range. This unit value range is considered reasonable with respect to the comparables, considering the relatively low density.

## VII. FEE SIMPLE LAND VALUATION - WATERFRONT SITE

The fee simple market value of the Piers 30 - 32 site is estimated in order to develop a market rent estimate for a ground lease.

The table on the following page summarizes a number of recent comparable commercial land sales in and around the downtown area of San Francisco. The comparables were selected as the most recent and relevant transactions that are consistent with the subject's highest and best use as a commercial site.

The comparables are analyzed primarily on a price per buildable square foot basis. Gross Floor Area (GFA) is utilized, based on the definition in the Planning Code, and best reflects the development potential of the site. In the downtown area, where density can vary widely based zoning, FAR and height/bulk limitations, price per square foot of buildable area (GFA) is generally more widely used than price per square foot of land area. Gross Floor Area as defined by the Planning Code approximates the net rentable area of the project, and is utilized as such in the marketplace.

As discussed in the highest and best use chapter, the maximum feasible developable area of the Waterfront Site is estimated at 360,000 square feet of building area (GFA), in one and two-story buildings with associated parking and open space.

### A. Land Sales Data

*Commercial Land Sale 1* is the pending sale of the Transbay Center Parcel T in San Francisco, which is now identified as 101 First Street. The single, rectangular parcel is located at the southeast corner of the intersection of First Street and Mission Street in the South of Market neighborhood. There is street frontage on First Street, Mission Street, and Fremont Street. The site contains 51,512 square feet of land area (1.18 acres). The comparable is to be entitled for a 61-story office tower at a FAR of 26.2 to 1. The office tower will contain a gross building area of approximately 1,498,812 square feet and a net rentable area of approximately 1,352,032 square feet. The site is subject to a proposed zoning change. Currently, the site is zoned Public (P). According to the San Francisco Planning Department, the proposed zoning designation is Downtown Commercial Special Use District (C-3-O (SD).

The site is currently in contract to sell to a developer for $185,000,000, equivalent to $3,591 per square foot of land area and $137 per square foot of gross floor area. Close of escrow is expected in 2013, after entitlements have been attained.

*Commercial Land Sale 2* is the development site previously known as City Place, and now identified as Market Street Place. It is located at 935 - 965 Market Street, mid-block between Fight Street and Sixth Street, just west of the Union Square

## COMPARABLE COMMERCIAL LAND SALES

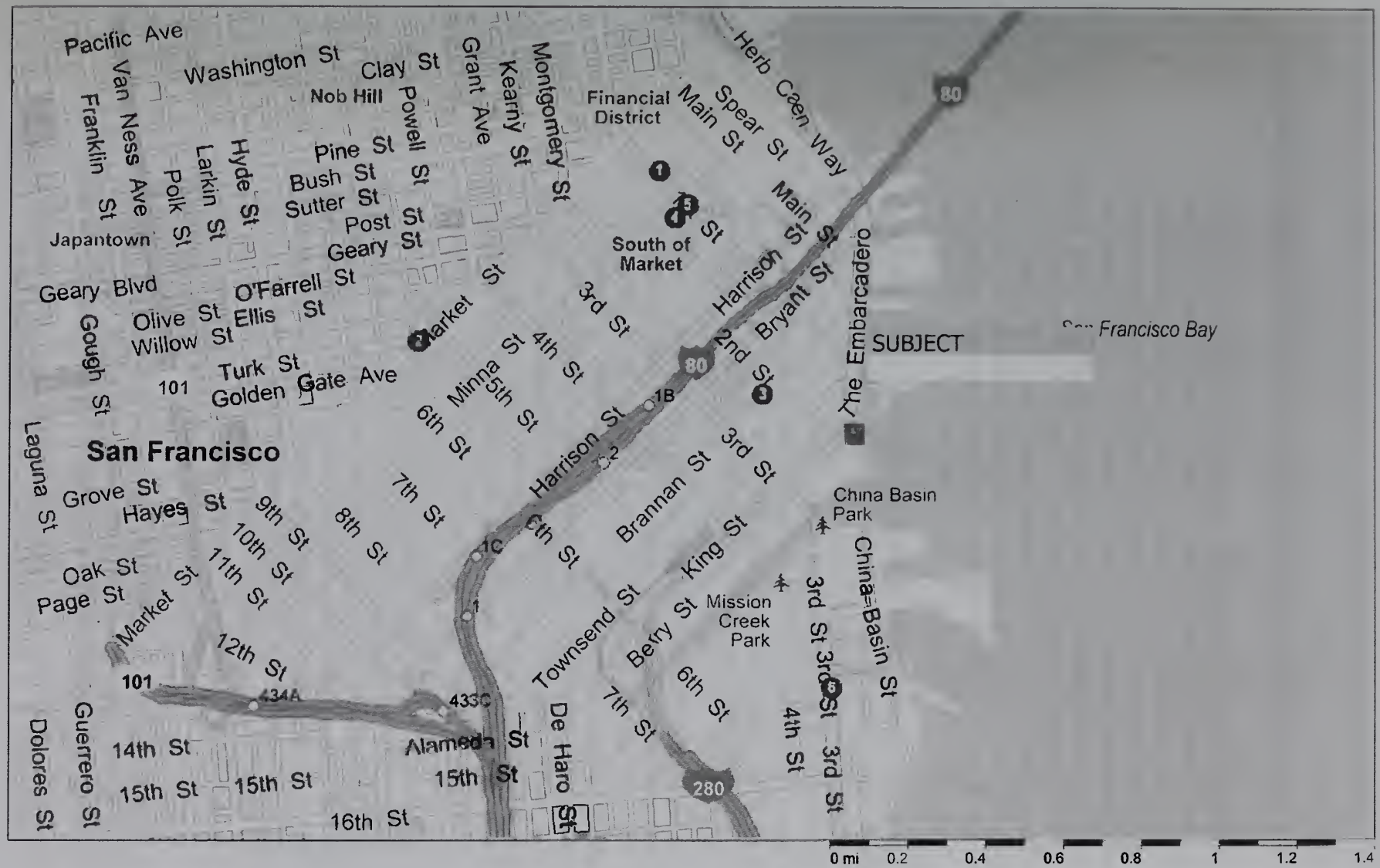
Appraisal of Piers 30 - 32
San Francisco, California

| No. | Location | Sale Date | Land Area | Sale Price | Price Per SF Land Area | Proposed: Planning Code GFA FAR Stories Bldg. Height | Price per Gross Floor Area (GFA) Square Foot | Planned Development | Zoning Base FAR Height Limit | Grantor/ Grantee/ Document No. / Confirmation Source |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 101 First Street (Parcel T)<br>San Francisco<br>APN: 3720-001 | Pending<br>COE 2013 | 51,512 SF<br>1.18 AC | $185,000,000<br>(entitled at COE) | $3,591 | 1,352,032 SF GFA<br>26.2 FAR<br>61 Stories<br>850 feet (apx) | $137 | 61-story office tower with GBA of 1,498,812 and proposed NRA of 1,352,032 SF | P<br>N/A | State Property /<br>Hines<br>#N/A |
| 2 | 935 - 965 Market Street<br>San Francisco<br>APN: 3704-071,-072,-073 | 7/12 | 46,063 SF<br>1.06 AC | $25,150,000<br>$3,072,215 (1)<br>$28,222,215<br>(entitled) | $546<br>$613 | 276,378 SF GFA<br>6.0 FAR<br>5 Stories<br>94 feet | $91<br>$102 | Market Street Place (previously City Place) development consisting of 276,378 SF (gross) retail in five levels above grade, 1 basement retail, 2 basement parking for 167 (self) stalls REO sale, includes TORs ($771,000) for optional mezzanine. $105 million construction cost before land. | C-3-R<br>6.0:1<br>120-X | LSREF2 Clover Properties 20 LLC /<br>CRP of Cypress Market Street LLC<br>#450487 |
| 3 | 329 Brannan Street<br>San Francisco<br>APN: 3788-042 | 7/12 | 35,700 SF<br>0.82 AC | $18,530,000<br>(not entitled) | $519 | 175,000 SF GFA<br>4.9 FAR<br>8 Stories<br>85 feet (max) | $106 | Proposed for a 6-story office building of 175,000 square feet | MUO<br>6.0:1<br>65-X | Jack Litke, et al /<br>KR 329 Brannan LLC<br>#K693-194 |
| 4 | 524 Howard Street<br>San Francisco<br>APN: 3721-013 | 8/12 | 12,266 SF<br>0.28 AC | $15,850,000<br>(entitled) | $1,292 | 191,950 SF GFA<br>15.6 FAR<br>23 Stories<br>325 Feet (est.) | $83 | Site approved for a 23-story, 191,950 square foot office building, but bought by an apartment developer. Includes all TDRs required for development (118,354 SF TDRs) | C-3-O (SD)<br>8.0:1<br>450-S | Howard Street Prop. Investors LLC /<br>Crescent Heights<br>#N/A |
| 5 | 505 & 525 Howard Street<br>San Francisco<br>APN: 3736-121 -114 | 4/12 | 37,963 SF<br>0.87 AC | $37,000,000<br>(entitled) | $975 | 288,000 SF GFA<br>7.6 FAR<br>10 Stories<br>150 Feet (est.) | $128 | Site approved for 10-story office building of 288,000 net rentable square feet (Foundry Square III). | C-3-O (SD)<br>6.0:1<br>200-S & 350-S | Wilson Meany /<br>Tishman Speyer<br>#386426 |
| 6 | 1515 Third Street<br>San Francisco<br>APN: 8722-001 (ptn), -008, 8721-029, -033, 9725-001, -004 | 11/10 | 739,479 SF<br>16.98 AC | $278,000,000<br>(not entitled) | $376 | 2,030,000 SF GFA<br>2.7 FAR<br>4-8 Stories<br>N/A Feet (est) | $137 | Master redevelopment plan allows for apx 2,030,000 SF office. Planned for campus-style HQ for Salesforce.com. Purchase includes parking rights in an existing garage. | MB-RA<br>N/A | ARE-San Francisco No. 16, LLC /<br>Bay Jacaranda No. 2932<br>Bay Jacaranda No. 2627<br>#K261-0327,#K261-0333 |
| | SUBJECT Piers 30 - 32<br>Waterfront Site | | 553,778 SF<br>12.71 AC | | | | | Development must preserve minimum of 35% open space at periphery | M-2<br>5.0:1<br>40-X | |

NOTE: Planning Code GFA approximates NRA SF
(1) Demolition costs plus hazmat, incl. contractor overhead, contingency, insurance.

*Source: Carneghi-Blum & Partners, Inc., 12-ASF-425, September 2012*

# COMMERCIAL LAND SALES LOCATION MAP

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district in San Francisco. The rectangular site contains approximately 46,063 square feet (1.06 acres). With 275 feet of street frontage on Stevenson Street as well as Market Street. The site is level, at street grade, and at the time of sale, was improved with vacant older office/retail buildings that were planned for demolition. The site was entitled for a 276,378 square foot (GFA) retail project, consisting of five above-grade floors, one basement retail level, and two basement garage levels with parking for 167 automobiles (self-park). The ceiling heights range from 16 to 18 feet on the upper floors, 15 feet in the retail basement, and 21 feet on the ground floor. The noted GFA does not include the parking garage levels. Including mechanical and parking area, the gross building area as proposed is 368,190 square feet. The site is zoned C-3-R with a 120-foot height limit and a 6.0:1 FAR.

The site sold in July 2012 for $26,150,000, or $546 per square foot of land, and $91 per approved GFA square foot. The demolition and remediation costs were reported at $3,072,215, for a total cost of $28,222,215. Including demolition, the purchase price is equivalent to $613 per square foot of land, and $102 per square foot of proposed building area. The price included TDRs purchased for approximately $771,000, that allowed for an optional mezzanine that is not included in the approved building area. The reported construction cost estimate before land was $105 million.

*Commercial Land Sale 3* is the sale of 329 Brannan Street in the South of Market neighborhood of San Francisco. The single, rectangular parcel is located at the south corner of the intersection of Brannan Street and Stanford Street. It contains approximately 35,700 square feet of land area (0.82 acres), with approximately 140 linear feet of street frontage on Brannan Street. Improvements on the site consist of two single-story, masonry, industrial buildings totaling approximately 13,740 square feet. The improvements were constructed in 1972 and are not considered to have a contributory value to the site. The site is zoned Mixed-Use Office (MUO) with a designated base FAR of 6 to 1 and a height limit of approximately 65 feet.

In July 2012, the site was purchased by a developer for $18,530,000, equivalent to $519 per square foot of land area and $106 per square foot of gross floor area. The buyer plans to develop a 6-story office building of approximately 175,000 square feet at a FAR of 4.9 to 1. The proposed building will contain ground floor retail along Brannan Street and one subterranean parking level accessed via Stanford Street. The proposed project is currently unentitled, however, a preliminary project assessment was filed with the San Francisco Planning Department on July 13, 2012. According to a press release from the buyer, entitlements are expected at the end of 2013. The buyer reportedly will complete construction in 2015.

*Commercial Land Sale 4* is the sale of 524 Howard Street in the South of Market neighborhood of San Francisco. The comparable is located mid-block on the northwest side of Howard Street between First and Second Streets, and is within the

Transbay Special Use District. The site shape is stepped but generally rectangular. The property contains approximately 12,266 square feet of land area (0.28 acres) and has approximately 75 linear feet of street frontage on Howard Street and approximately 74 linear feet of street frontage on Natoma Street. The property is currently utilized as a paved surface parking lot. The site is entitled for a 23-story, 191,950 square foot office building at a FAR of 15.6 to 1. The property is zoned C-3-O (SD).

In June 2012, a residential real estate developer purchased the property for $15,850,000, equivalent to $1,292 per square foot of land area and $83 per square foot of gross floor area. The sale price includes all transfer development rights required for development (118,354 square feet of transfer development rights).

***Commercial Land Sale 5*** is the sale of the Foundry III site located at 505 & 525 Howard Street in the South of Market neighborhood of San Francisco. The comparable consists of two adjacent parcels. 505 Howard is located at the south corner of the intersection of Howard and First Streets. The site does not contain building improvements and is used as a surface paved parking lot. 505 Howard contains approximately 29,713 square feet of land area, with frontage on Howard, First, and Tehama Streets. 525 Howard is the adjacent southwest parcel. It contains approximately 8,250 square feet of land area, with street frontage on Howard and Tehama Streets. The 525 Howard site is improved with a one-story, masonry building containing approximately 14,230 square feet. The parcels total approximately 37,963 square feet of land area (0.87 acres). The site is zoned C-3-O (SD). The site is entitled for a 10-story office building containing 288,000 square feet of gross floor area at a FAR of 7.6 to 1.

In April 2012, the property sold to real estate developer and operator Tishman Speyer for $37,000,000, equivalent to $975 per square foot of land area and $128 per square foot of gross floor area. The proposed office building is the final phase of the Foundry Square development project, consisting of four buildings at the intersection of First and Howard Street. Foundry Square II and IV were completed in 2003 and Foundry Square I was completed in 2007.

***Commercial Land Sale 6*** is the sale of 1515 Third Street in the Mission Bay neighborhood of San Francisco. The property consists of eight parcels totaling 739,479 square feet of land area (16.98 acres). The parcels are situated on the east side of Third Street between Pierpont Lane and Mariposa Street. The property is within the Mission Bay Redevelopment Area, a 303-acre, mixed-use residential, office, and biotechnology development project.

In November 2012, the property was purchased by Salesforce.com for $278,000,000, equivalent to $376 per square foot of land area and $137 square feet of gross floor

area. The redevelopment plan allows for 2,030,000 square feet of office at the site. Salesforce.com purchased the property with the intent to construct a campus-style headquarters for the technology company. The purchase includes parking rights in an existing garage adjacent to the property. The buyer has since abandoned plans to construct the campus.

## B. Commercial Land Sale Analysis

Land Sale 1 is the pending sale of the Transbay Center Parcel T, which is now being identified as 101 First Street. The developer has agreed to pay the equivalent of $137 per FAR square foot for this very prominent site. This site is now planned for a 61-story office tower at a FAR of 26.2 to 1. Due to the very high FAR of this comparable, price per square foot of land is not a reliable indicator. However, the price per GFA square foot is considered a reasonable unit value indicator for the subject. The prominence of this site, the views offered from the upper floors, and the onerous use restrictions affecting the subject, all require downward adjustment. Since escrow will not close until the entitlements are secured, additional downward adjustment is applied for this factor. The much higher density of the comparable, and its much larger size, support offsetting upward adjustment. The adjusted unit value is $82 per square foot of GFA.

Land Sale 2 is a retail development site that is located just southwest of the Union Square retail area. The overall location requires no adjustment, but the waterfront views of the subject are superior. The comparable has slightly inferior utility, due to its mid-block location. The overall density of development requires upward adjustment, due to the inefficiencies inherent in vertical construction, as well as the added costs. These upward adjustments are more than offset by the onerous use restrictions affecting the subject, as well as the entitlements that transferred with the comparable. The adjusted unit value is $77 per square foot of GFA.

Land Sale 3 is the unentitled site at 329 Brannan, purchased for speculative office construction. The location is slightly superior, due to the preference of technology tenants for the Second Street/Brannan corridor. The subject's views are considered offsetting. The proposed density for the comparable requires an upward adjustment, offset by the onerous land use restrictions on the subject site. The adjusted unit value is $94 per square foot.

Land Sale 4 is an entitled, mid-block site adjacent to the Foundry IV building, just west of First Street and across the street from Land Sale 5. The more central location is considered a superior feature, offset by the subject's waterfront views. This mid-block site also has a relatively small buildable floor plate, for which an upward adjustment is applied/ Density requires an upward adjustment as well, which is more than offset by the subject's use restrictions. No adjustment for entitlement status is

**COMPARABLE COMMERCIAL LAND SALE ADJUSTMENT GRID**
Appraisal of Piers 30 -32
San Francisco, California

| | Sale 1 | Sale 2 | Sale 3 | Sale 4 | Sale 5 | Sale 6 |
|---|---|---|---|---|---|---|
| | 101 First<br>San Francisco | 935-965 Market<br>San Francisco | 329 Brannan<br>San Francisco | 524 Howard<br>San Francisco | 505 & 525 Howard<br>San Francisco | 1515 Third<br>San Francisco |
| Site Size (SF) | 51,512 | 46,063 | 35,700 | 12,286 | 37,963 | 739,479 |
| Proposed Building Area (GFA SF) | 1,352,052 | 276,378 | 175,000 | 191,950 | 288,000 | 2,030,000 |
| Density (FAR) | 26.2 | 6.0 | 4.9 | 15.6 | 7.6 | 2.7 |
| Sale Date: | 2013 | 7/12 | 7/12 | 6/12 | 2013 | 11/10 |
| Transaction Price: | $185,000,000 | $28,222,215 | $18,350,000 | $15,860,000 | $37,000,000 | $278,000,000 |
| Unadjusted Price/SF Land | $3,591 | $613 | $514 | $1,291 | $975 | $376 |
| **Unadjusted Price/GFA SF** | $137 | $102 | $105 | $83 | $128 | $137 |
| Financing Terms: | 0% | 0% | 0% | 0% | 0% | 0% |
| Conditions of Sale: | 0% | 5% | 0% | 0% | 0% | 0% |
| Adjusted Sale Price: | $185,000,000 | $29,633,326 | $18,350,000 | $15,860,000 | $37,000,000 | $278,000,000 |
| **Adjusted Price/SF** | $137 | $102 | $105 | $83 | $128 | $137 |
| Market Conditions: | 0% | 0% | 0% | 0% | 0% | 0% |
| **Price Adj. For Mkt. Cond.** | $137 | $102 | $105 | $83 | $128 | $137 |
| Location: | -10.0% | -5.0% | -5.0% | -5.0% | -5.0% | 0.0% |
| Views | -10.0% | 5.0% | 5.0% | 5.0% | 5.0% | 0.0% |
| Site Utility: | 0.0% | 5.0% | 0.0% | 10.0% | 0.0% | 0.0% |
| Project Size: | 5.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Density | 15.0% | 10.0% | 10.0% | 15.0% | 10.0% | 0.0% |
| Use Restrictions | -20.0% | -20.0% | -20.0% | -20.0% | -20.0% | -20.0% |
| Parking | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -10.0% |
| Entitlements | -20.0% | -20.0% | 0.0% | 0.0% | -20.0% | -10.0% |
| Total Adjusted %: | -40.0% | -25.0% | -10.0% | 5.0% | -30.0% | -40.0% |
| Adjusted Unit Value for the Subject: | $82 | $77 | $94 | $87 | $90 | $82 |

*Source: Carneghi-Blum & Partners, Inc. September 2012*
*12-ASF-425*

applied. Although the site was entitled for office use, it was purchased for residential development, and will have to be re-entitled. The adjusted unit value is $87 per square foot of FAR.

Land Salc 5 is the Foundry III site, which was recently purchased by Tishman and is under construction with a 10-story office building, which is the last phase of the Foundry Square project. This project has a superior location, but inferior views. Land use restrictions on the subject more than offset the density differential. The site sold with entitlements, which requires a downward adjustment. The adjusted unit value is $90 per square foot of GFA.

Land Sale 4 is the Salesforce (owner-user) purchase of the former Alexandria site in Mission Bay. The site is planned for over 2 million square feet of office space, an FAR of 2.7:1. No adjustment is applied for location or views, as this is a waterfront site. The density is somewhat higher, but similar construction type would be utilized, so no adjustment for density is applied The project size suggests moderate upward adjustment, which is offset in this case by the owner-user nature of the buyer, which eliminates the risk of lease-up for a typical speculative developer. No adjustment is applied for size. The subject's more onerous use restrictions require downward adjustment, as does the included rights to parking that transferred with the comparable. Although not fully entitled, the project was further along in the process than the subject, warranting a downward adjustment. The adjusted unit value is $82 per square foot of GFA.

## C. Fee Simple Land Value Conclusion

The comparables reflect a relatively narrow range of unit prices on an GFA square foot basis of $77 to $94 per GFA square foot. A mid-range unit value of $85 per GFA square foot is concluded for the subject and is applied to the maximum developable building area estimate developed previously, of 360,000 square feet. The fee simple land value of the subject is therefore estimated as follows:

360,000 GFA square feet x $85 per GFA square foot = $30,600,000

The above value conclusion assumes that the piers have been repaired and upgraded as necessary to be structurally and seismically sound.

## VIII. MARKET GROUND RENT VALUATION

The client has requested that the appraisers estimate the current market value of for a ground lease for each of the subject properties.

In this analysis, market rent for the land will be estimated by applying a ground lease rate of return to the underlying land.

### A. Proposed Ground Lease Terms

The client has specified only the term of the proposed ground leases. The remaining parameters of the ground leases have not been specified. For the Waterfront Site, the initial term is to be 30 years, with possible renewal option(s) of up to 36 years, for a total of 66 years. For the Seawall Lot Site, the initial term is 30 years, with a possible renewal options of up to an additional 45 years, for a total of 75 years.

### B. Market Ground Rent Rate of Return Estimate

Ground rent is typically determined by applying a market-derived rate of return to the fee simple value of the underlying land. The appropriate rate of return depends on a number of factors, including the investment magnitude, location, use, leasehold improvements, and escalations. The most reliable method of estimating ground lease rates of return is from the sale of ground leased properties, which are shown in the table on the following page.

The ground leases reflect rates of return that range from 5.0 to 8.0 percent. The low end of the range reflects a small site in San Francisco's Richmond District, used for car storage. The date of the transaction suggests a higher rate would apply today. While interest rates remain low, the lessor would be in a stronger position due to the economic recovery underway in San Francisco. The small size of the comparable also supports a much higher rate of return for the subject, due to the larger pool of potential lessees for small sites.

The high end of the range is a 2006 ground lease for a freeway-visible site to an auto dealer in Milpitas. The market conditions at the time were far stronger, which allows the lessor a superior negotiating position. The location, suggest a lower rate as well. A lower rate is therefore indicated for the subject.

The remaining comparables reflect a range of 6.4 to 7.0 percent. Within this narrow range are two Google ground leases in Mountain View, one with the City of Mountain View, and one with NASA on a portion of the closed Moffett Field Naval Air Station. These two transactions are for large sites planned for large-scale development project, similar to the subject. In the case of Comparable 1, the parties

## COMPARABLE GROUND LEASES

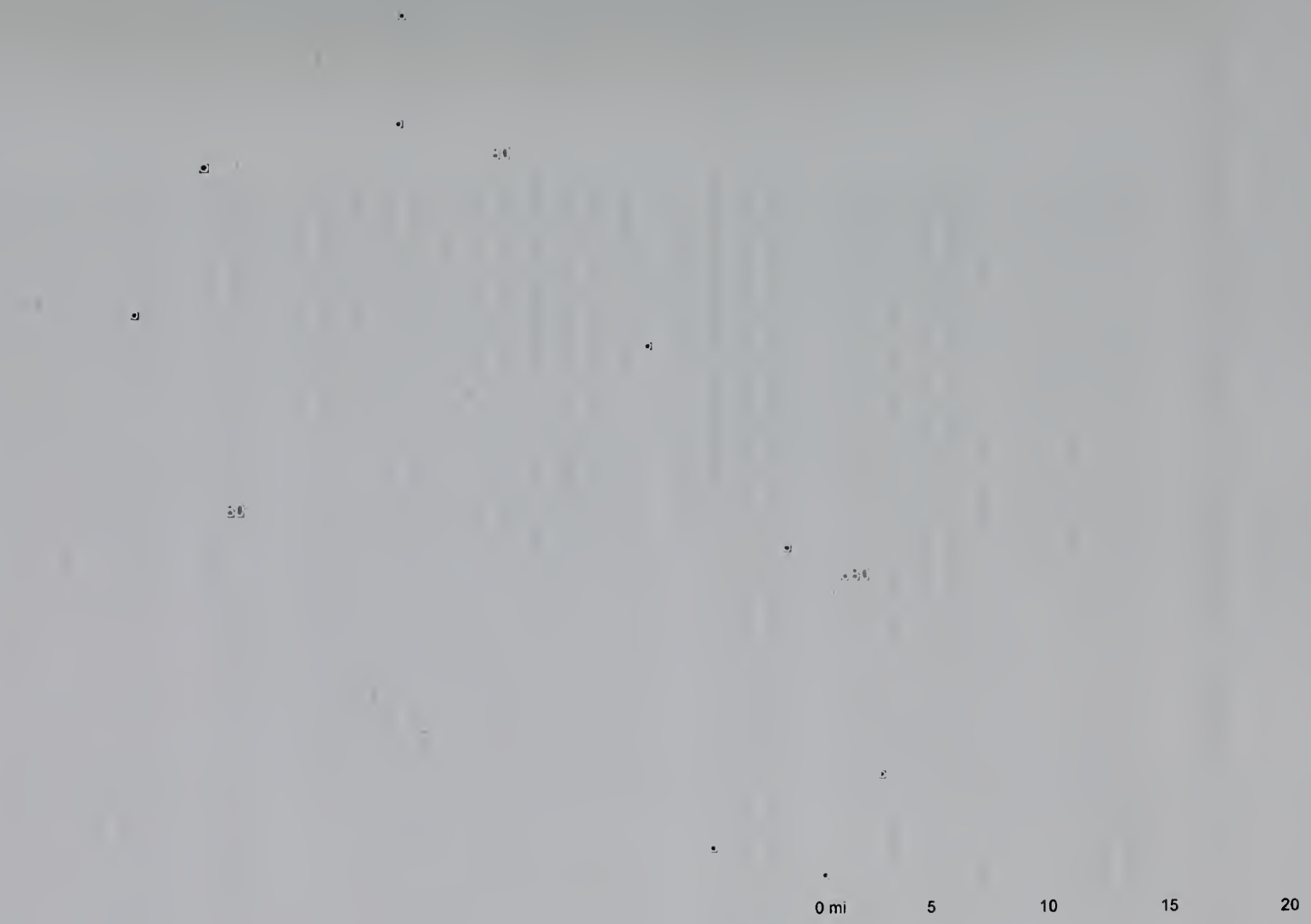
Apprarsal of Piers 30 - 32, Seawall Lot 330
San Francisco California

| # | Lessee / Location | Lease Date | Size AC/SF | Term Options | Annual Rent | Annual Rent per SF Site Area (NNN) | Est. Site Value/SF | Indicated Rate of Return | Escalations | Comments |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Google**<br>Charleston East Site<br>NWC Charleston Rd & N. Shoreline Blvd.<br>Mountain View<br>APN 116-21-051 | 4/11 signed<br><br><br>6/11 COE | 9.48 AC<br>412,863 SF | 53 Yeers<br>4 x 10 year | $693,610 NNN<br>(negotiated)<br><br>$30,500,000<br>(pre-paid ground rent) | $1.68 | $24.00<br>(negotiated)<br><br>$73.87<br>(ppd ground lease) | 7.0%<br><br>2.3% | Annual 3% increase<br>Reapprasal every 10 yrs<br>with cap increase of 165% | Google began negotiating this ground lease with City of MV beginning 18 mos. prior based on a 7% ROR and $24/SF land value, which City concedes is below mkt. Google then offered to prepay lease at $30.5 million. COE is 6/11 Maximum FAR 285,000 sf office/R&D |
| 2 | **GGB Hwy & Trans District**<br>Block bound by 3rd,4th, Perry, Stillman<br>SF-BT-05<br>San Francisco<br>APN 3762-004 | 9/10 Sign<br>2/11 Comm | 2.67 AC<br>116,450 SF<br>(net of supports) | 25 Years<br>4 x 5yrs | $628,830 NNN<br>(1) | $5.40 | $80.00 | 6.8% | Annual CPI<br>Mkt re-set every 5yrs. | Site is beneath I-80, and was unpaved and w/o curbs/gutters when leased. Lessee has paved and fenced the site. Planned for bus storage facility. Currently subleased to parking operator and used for day parking at $10/day |
| 3 | **Exploratorium**<br>Piers 15 & 17<br>San Francisco<br>APN 9900-0015, -017 | 9/09 Sign<br>11/10 Comm | 5.27 AC<br>229,455 SF | 66 Years<br>None | $1,749,192 NNN | $7.62 | $120.00 | 6.4% | Cumulative CPI every 5 years<br>10% min/20% max<br>(3% annual on Pier 17 until 2024)<br>+ Percentage Rent Clause | Existing historic pier shed of approx. 227,000 SF to be renovated. Lessee to spend $29 million to repair/upgrade Pier 15 plus $7.8 million on Pier 17, which is recoverd as a 50-year rent credit once TIs are completed. Total project cost is $205 million. |
| 4 | **Google**<br>Nasa Research Park<br>Mountain View<br>Parcels 1, 2 & 4 | 12/07 neg.<br>5/08 signed | 41.28 AC<br>1,798,157 SF | 40 Years<br>5 x 10 yrs | $3,660,000 NNN | $2.04 | $29.08 | 7.0% | Cumulative CPI every 5 yrs.<br>Not to exceed 15%.<br>Reapprasal every 10 yrs<br>with cap increase of 21.5% | Google has leased this site from NASA. Tenant has right to construct 1,205,000 sf of office/R&D and a max of 105,000 sf housing. Tenant has extensive site work and received land value credit. |
| 5 | **San Francisco Toyota**<br>3901 Geary Boulevard<br>San Francisco<br>APN 1541-001 | 8/09<br>(Renewal) | 0.34 AC<br>15,000 SF | 5 years<br>(Renewal Term)<br>N/A | $168,000 NNN | $11.20 | $225.00 | 5.0% | Flat | Renewal. Site is used for inventory storage. Corner parcel |
| 6 | **Auto Dealership**<br>Great Mall Pkwy & I-880<br>Milpitas<br>APN. 086-05-021 (por.) | 4/06 | 10.00 AC<br>435,600 SF | 25 Years<br>3 x 10 yrs | $800,000 NNN | $1.84 | $23.00 | 8.0% | 15% Every 5 Years | Planned for a 90,000 SF auto dealership. Site has freeway frontage. |
| 7 | **Kohl's**<br>SEQ Interstate 580 & Las Positas<br>Livermore<br>APN 099-0015-038 | 2006 | 9.54 AC<br>415,448 SF | 20 Years<br>6 x 5 yrs | $575,000 NNN | $1.38 | $20.00 | 6.9% | 10% Year 11<br>8% at Options | Planned for a 95,971 SF Kohls department store |

(1) Rent shown is prior to 20% discount to state transportation agencies per California Transportation Commission Policy G-03-03 (per lease)

*Source: Carneghi-Blum & Partners, Inc., 12-ASF-425, September 2012*

# GROUND LEASE LOCATION MAP

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agreed to a rate of return and a land value in the process of negotiation, so it is a particularly reliable indicator. The location, in the Shoreline Business Park, is considered comparable in overall risk. This comparable supports a 7.0 percent rate of return for the subject Seawall Lot site.

Comparable 4 is the earlier lease, for a larger site in NASA Research Park. Significant site work was required, and rent credits were applied to offset those costs. Although market conditions were stronger at the time, the size of this lease is an offsetting factor, as there are typically few potential lessees in the market for sites of this size and development potential. A similar ground rate of return is supported for the subject Seawall Lot site.

Comparable 2 is the lease of a site to be used for bus parking and staging, located in San Francisco underneath the Bay Bridge approach. The tenant completed paving, curbs and gutters, and fencing. The 6.8 percent rate of return is considered a reasonable indicator for the subject.

Comparable 3 is the most recent pier lease, to the Exploratorium. It is considered a reliable indicator of the subject Piers 30 - 32. The comparable consists of Piers 15 and 17 are historic, but dilapidated piers and pier sheds. Their historic nature precludes demolition. The lease includes a base rent with escalation, plus percentage rent based on the museum's operations. The base rent reflects a 6.4 percent rate of return to the estimated site value of $120 per square foot, considering the superior location of this comparable, and the contributory value of the pier shed. The structure supporting Pier 15 reportedly required $29 million in upgrades, and Pier 17 required $7.8 million, which was funded by the lessee, and offset by rent credits over the first 50 years of the lease. This lease is a recent transaction of a similar type of property. Considering the overall similarity to the subject Piers 30 - 32, this comparable is considered a reliable indicator for the subject.

Comparable7 is a 2006 ground lease to a department store in Livermore. The date of the transaction would suggest a somewhat lower rate of return for the subject.

For the Seawall Lot site, a 7.0 percent rate of return is concluded, based primarily on the Google comparables. The Exploratorium lease is the most reliable indicator for Piers 30 - 32, and a 6.5 percent rate of return is indicated based on the subject's similarity to this comparable. The lower rate on the Piers 30 - 32 lease reflects the more limited appeal of the site, considering its land use restrictions and the complexities of developing on a pier. The remaining comparables are considered in a supportive capacity.

*Ground Leased Sale Transactions*

For additional support, the appraisers researched transactions of ground leased properties, and the results of our research is shown in the table on the following page. The ground lease rates of returns based on the sale transaction data range from 3.8 to 8.0 percent. The low end of the range reflects the "marriage" of the leased fee and leasehold interest in an ground leased apartment project, where the leased fee interest in the land was purchased by the leaseholder. The inherent motivation of the leaseholder in this situation has a downward effect on the ground lease rate of return.

The high end of the range is a bank branch in Vacaville that was leased at above-market rent for a relatively short remaining term. The location and above-market rent support a lower ground lease rate of return for the subject.

The remaining sale comparables demonstrate a range of initial rates of return of 5.2 to 6.6 percent. Typically, ground leased sales reflect lower rates of return than the rates indicated by new ground lease transactions. Reasons for this disparity include the fact that an improved ground-leased property is inherently less risky to the lessor, since the improvements are typically in place, and the lessee has a track record of timely payment of the ground rent. In contrast, when a ground lessor enters a new ground lease with a lessee, the site is usually vacant, site work may be required, the ultimate improvements have typically not yet been constructed, and the risk profile of the enterprise reflects a development project rather than a more passive investment. Offsetting these landlord considerations to some extent is the risk assumed by the lessee, including tenanting and financing the development, and funding the cash outflows during the initial construction period. The balancing of these competing interests drives the ground rent rate of return, and the ultimate rate of return depends in part on the strength of the negotiating position of each party, which is influenced by factors including the lessor's desire for stable cash flow, the number of competing bidders, the risk profile of the proposed project, and the credit quality of the tenant (user versus developer/subtenant) among others.

Taken together, the ground lease sale comparables provide additional support for the rates of return to the fee land value for the subject as concluded based on the ground lease comparables.

## COMPARABLE SALES OF GROUND LEASED PROPERTIES

Appraisal of Piers 30 - 32, Seawall Lot 330
San Francisco, California

| Location/ # APN# | Sale Date | Sale Price per SF Land | Land Area | Annual Ground Rent per SF/Y | Ground Lease Capitalization Rate | Escalations Next Step Remaining Term Options | Grantor / Grantee (Doc. #) | Comments |
|---|---|---|---|---|---|---|---|---|
| 1 Lowe's<br>725-775 Ridder Park Drive<br>San Jose<br>APN 237-05-054 (ptn), -056 | 4/11 | $30,500,000<br>$60.67 | 11.54 AC<br>502,728 SF | $1,950,000<br>$3.88 | 6.4% | 10% yr. 10 & 15<br>7.5 years<br>17+ years<br>6 x 5 yr (10% step @ each) | Pau Brokaw LLC /<br>Castle Family LLC<br>#21157405 | Site improved with a 141 100 SF Lowe's retail warehouse plus gardencenter. Lease commenced 12/1/2008. Corporate guarantee by Lowe's Inc. |
| 2 Aqua Via Apartments<br>47590 Lincoln Boulevard<br>Manna Del Rey (Los Angeles County)<br>APN 4224-014-017 | 8/10 | $40,750,000<br>$235.05 | 3.95 AC<br>173,369 SF | $1,564,800<br>$9.03 | 3.8% | > Beso or 12% Gross<br>15 years<br>61<br>N/A | Manna Terrace Associates /<br>BRE Properties, Inc.<br>#1221083 | Site improved with a 500-unit apartment project built in 2001 on leased land. Buyer negotiated to merge leased fee and leasehold interests |
| 3 Mark Hopkins Hotel<br>One Nob Hill<br>San Francisco<br>APN 0255-002 | 5/10 | $22,650,000<br>$399.37 | 1.30 AC<br>56 715 SF | $1,250,000<br>$22.04 | 6.5% | $1,500,000 in 2019<br>9 years<br>52<br>N/A | Lune Mark Hopkins Inc. /<br>SF MH Acquisition LLC<br>#K168-58 | Purchase of leased fee interest in the 380-room Mark Hopkins Hotel by ROFR by lessee Intercontinental. Openly marketed with multiple offers. |
| 4 Jiffy Lube<br>3363 Mt. Diablo Blvd.<br>Lafayette<br>APN 233-080-057 | 11/09 | $1,369,000<br>$90.38 | 0.35 AC<br>15,150 SF | $84,536<br>$5.58 | 6.2% | Annual CPI<br>1 year<br>20<br>N/A | Dwulet & Dwulet /<br>A.H. Zandvakili<br>#253886 | Site improved with a 3,251 SF Jiffy Lube facility built in 1991. Investor to investor sale |
| 6 Westamerica Bank<br>138 Peabody Road<br>Vacaville<br>APN 0131-060-230 | 11/09 | $750,000<br>$38.26 | 0.45 AC<br>19,602 SF | $60,000<br>$3.08 | 8.0% | N/A<br>2014<br>5 years<br>None | Katherine Ng 1996 Trust /<br>Schnayer Family 1991 Trust<br>#097675 | Site improved with a 3,670 SF bank branch built in 1987 |
| 6 Chevron<br>401 Napa Junction Road<br>American Canyon<br>APN: 059-351-009 | 7/09 | $2,030,000<br>$54.38 | 0.86 AC<br>37,331 SF | $125,000<br>$3.35 | 6.2% | 15% every 5 years<br>3 years<br>13 years (thru 9/22)<br>3 x 5 yr | Napa Junction I LLC /<br>Ramsay Family Revocable Tr<br>#019726 | Site improved with a service station. SEC Hwy 29 and Napa Junction Rd. |
| 7 Vagabond Inn<br>1640 Bayshore Hwy.<br>Burlingame<br>APN 026-282-200 | 7/09 | $4,000,000<br>$73.11 | 1.26 AC<br>54,711 SF | $260,000<br>(base rent)<br>$4.75 | 6.5% | Annual CPI vs % Rent<br>of 17% of Gross<br>26 years<br>None | The Baker-Watkins<br>Group, LP (et al)/<br>Jad & Nawal Jajeh<br>#099897 | Site improved with a 93-room lodging facility built in 1972. Leased fee interest purchased by an investor. |
| 8 Service Station<br>845-849 University Ave<br>Berkeley<br>APN 057-2096-006 & -007 | 4/09 | $1,176,000<br>$88.67 | 0.30 AC<br>13,251 SF | $78,000<br>$5.89 | 6.6% | N/A | The Baker-Watkins Group, LP/<br>Jad & Nawal Jajeh<br>#099897 | Site improved with a service station. |
| 9 Bay Landing Hotel<br>1550 Bayshore Hwy.<br>Burlingame<br>APN 026-282-240 | 11/08 | $5,500,000<br>$57.83 | 2.18 AC<br>95,100 SF | $286,000<br>$3.01 | 5.2% | CPI every 5 years<br>2013<br>20 years<br>None | The Baker-Watkins<br>Group, LP (et al)/<br>Pietre Partners, LLC<br>#123302 | Site improved with a 131-unit lodging facility. Leased fee interest purchased by the leaseholder. |
| 10 Broadway 76<br>Service Station<br>5300 Broadway<br>Oakland<br>APN: 048A-7035-019-01 | 8/08 | $666,000<br>$74.11 | 0.21 AC<br>8,973 SF | $37,972<br>$4.23 | 6.7% | CPI every 2 years<br>2009<br>5 years<br>1 X 5 yr. | Elizabeth Bochnak/<br>Lafayette Investment Group<br>#253171 | Site improved with an automobile service station known as Broadway 76. Leasehold is owned by ConocoPhillips. Leased fee interest purchased by an investor. |
| 11 2700-2800 Merced Street<br>San Leandro<br>APN 0778-0855-001-02 | 8/05 | $6,200,000<br>$9.49 | 15.00 AC<br>653,313 SF | $350,000<br>$0.54 | 6.6% | Mkt Re-set at each 10y<br>2006<br>31 years<br>None | David M. Haig /<br>FJM Merced Associates<br>#337824 | Site improved with a 231,286 SF industrial project built in 1962. |
| 12 Wal Mart<br>8400 Edgewater Drive<br>Oakland<br>APN 042-4425-024 | 9/04 | $18,000,000<br>$33.52 | 12.33 AC<br>536,990 SF | $1,125,000<br>$2.10 | 6.3% | 10% every 10 years<br>1/2014<br>19 years<br>14 X 5 yr. | Cherokee Simon Venture II /<br>K-B Pueblo Uno Associates<br>#106790 | Site improved with a 147,000 SF Wal Mart. 20-year ground lease signed 8/03. commencement in 1/04. |

*Source: Carnoghi-Blum & Partners, Inc., 12-ASF-425, September 2012*

# GROUND LEASE SALES LOCATION MAP

Copyright © and (P) 1988–2009 Microsoft Corporation and/or its suppliers. All rights reserved. http://www.microsoft.com/streets/
Certain mapping and direction data © 2009 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2009 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2009 by Applied Geographic Systems. All rights reserved.

## C. Market Ground Rent Conclusion

Giving greatest with to the ground lease transactions, with support from the ground lease sales a 7.0 percent ground rent rate of return is therefore concluded for the subject Seawall Lot site. A 6.5 percent rate of return is concluded for the Piers 30-32 subject site. Market rent for the two subject ground leases is therefore estimated by applying the concluded ground rent rate of return to the fee simple land value concluded in the previous chapter, as follows:

***Seawall Lot Annual Ground Rent***

| | |
|---|---|
| $30,400,000 (fee value) x 7.0% = | $2,128,000 |
| **Rounded:** | **$2,130,000** |

***Waterfront Lot Annual Ground Rent***

| | |
|---|---|
| $30,600,000 (fee value) x 6.5% = | $1,989,000 |
| Less Structural Reserve for Piers (1.0%) | ($19,890) |
| Net Annual Ground Rent | $1,969,110 |
| **Rounded:** | **$1,970,000** |

A 1.0 percent deduction is applied to the Waterfront Site ground rent to provide for a structural repair and replacement reserve. Although the piers will be newly rebuilt, an allowance for wear and tear and the actions of the elements to these improvements, which are exposed to the Bay waters and the external environment, is warranted.

Based on a review of the comparable and other market data, escalations are concluded at a cumulative CPI every five years, with a re-set to market (based on appraisal) after 20 years, or after 30 years, when the base term of each ground lease expires. In the case of the 20-year market rent re-set, a cap on the maximum rent of approximately 220 percent of the initial rent (4 percent compounded annually) is included. For the 30-year market rent reset scenario, no cap on the maximum rent is included. In both cases, a floor of not less than the initial rent applies.

# ADDENDA

CHICAGO TITLE COMPANY

# PRELIMINARY REPORT

FIRST UPDATED Dated as of: March 3, 2003 at 5:00 PM

Order No.: 6049002 - MN

Regarding: Piers 30 AND 32
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

*Visit Us On The Web: westerndivision.ctt.com*


Title Department:

CHICAGO TITLE COMPANY
590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

MaryPat Noeker
NATIONAL UNDERWRITER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006049002

Nicole T. Carr
ESCROW OFFICER

# SCHEDULE A

Order No: 6049002 MN Your Ref:

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

CITY AND COUNTY OF SAN FRANCISCO, A CHARTER CITY AND COUNTY, IN TRUST

3. The land referred to in this report is situated in the State of California, County of San Francisco and is described as follows:

SEE ATTACHED DESCRIPTION

# DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS PIERS 30 AND 32 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

# SCHEDULE B


Order No: 6049002 MN Your Ref:

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. County and city taxes for the Fiscal Year 2003 - 2004, a lien not yet due or payable.

B 2. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Sections 75 et seq.

C 3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District("CFD"), as follows:

CFD No. : 90-1
For : School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual Special Tax. This Special Tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

E 4. Any right, title, interest of person, known or unknown, who claim or may claim adversely to the vested owners herein by reason of the record title to said property not having been established and quieted under the provisions of the McEnerney Act, so called.

F 5. Rights and Easements for Commerce, Navigation and Fishery.

G 6. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants, and by law as to the land or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionary Rights and Interests as may be possessed by the State of California under the terms and provisions of said Legislative Grants, or by law.

H 7. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

I 8. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS,

# SCHEDULE B
(continued)

Order No: 6049002 MN Your Ref:

DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

J Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

K Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.

L Discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey of the herein described land would disclose which are not shown by the public records and the requirement that said survey meets with the minimum standards for ALTA/ACSM land title surveys.

N 9. Rights of the public and the City and County of San Francisco over that portion of premises, if any, lying within the lines of The Embarcadero, so called, an open public street.

Order No: 6049002 - MN

Your Ref:

CHICAGO TITLE COMPANY

# PRELIMINARY REPORT

Dated as of: October 5, 2001 at 5:00 PM

Order No.: 6049001 -

Regarding: Block 3770,
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

*Visit Us On The Web: westerndivision.ctt.com*


Title Department:

CHICAGO TITLE COMPANY
590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

TITLE OFFICER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006049001

Nicole T. Carr
ESCROW OFFICER

# SCHEDULE A

Order No: 6049001

Your Ref:

# DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS SOUTH BEACH BLOCK 19 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

LOTS 1 AND 2, BLOCK 3770

# SCHEDULE B


Order No: 6049001

Your Ref:

(B) All surface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City and County of San Francisco for exploration, drilling and extraction of such mineral, oil, and gas deposits, subject, however, to the provision that during the term of any lease, franchise, permit or license of such property pursuant to Section 3 of the Burton Act, such mineral rights herein reserved including the right of ingress and egress, shall not be exercised so as to disturb or otherwise interfere with the leasehold estate or the right or encumbrances to which any such lease, franchise, permit or license may be subject; provided, however, that any lease, franchise, permit or license of such property pursuant to Section 3 of this Act must contain a provision specifying at least one point from which the manner which the right of ingress and egress to said subsurface deposits may be exercised, which point or points may be outside the area of the leasehold, franchise permit or license, providing the point or points are adequate to permit the rights reserved to the State to be exercised.

H 8. The rights and interests of the State of California under the Common Law Trust under which tide and submerged lands are held as Trustor-beneficiary of the trust under which said lands are granted to the City and County of San Francisco by the acts and agreements referred to in Exception No. 7 above, including the right to amend, modify or revoke said trust as expressed in said grants and existing as a matter of law.

The Burton Act, as amended, provides, among other things, that no amendment, modification or revocation shall impair or affect the rights or obligations of third parties including lessees, lenders for value, holders of contracts conferring the right to the use and occupation of, or the right to conduct operations upon or within, such lands, arising from leased, contract, or other instruments, lawfully entered into prior to the effective date of such amendment, modification or revocation.

I 9. Any defect or invalidity of any lease, franchise, permit, license or privilege authorized to be issued pursuant to the Burton Act, so called, or of any agreement made or other act done pursuant to the Burton Act, based upon the assertion that the uses of the land contemplated by any such lease, franchise, permit, license, privilege, agreement or other act are not consistent with the trust under which such lands are held by the State of California and the City and County of San Francisco, or that the Delegation to the Harbor Commission (Port Commission) of the City and County of San Francisco, by Paragraph 6 of Section 3 of the Burton Act, as amended, of the power to determine that said lands are not required for the purposes of commerce, navigation and fisheries numerated in said Paragraph 6 constitutes an unauthorized Delegation of Authority, or that the procedures before said Port Commission authorizing said agreement and

leases are otherwise defective.

J 10. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

K 11. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS, DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

L 12. Matters disclosed by that certain Map entitled, "Map of Lands Transferred in Trust to the City and County of San Francisco", situated in the City and County of San Francisco, State of California filed in Book "W" of Maps at Pages 66 thru 72 in the City and County of San Francisco Recorder's Office, a copy of which was recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88209.

M 13. Matters disclosed by that certain instrument entitled "Legal Description" recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88210.

T 14. Matters disclosed by that certain Map entitled, "Map Showing the Widening of Bryant Street Between Main Street and the Embarcadero" which was recorded January 26, 1993 in Reel F802, Image 769 Official Records, Instrument No. F279498.

Terms and provisions of Resolution No. 92-47 of the Port Commission adopted April 22, 1992 as disclosed by said Map.

Terms and provisions of Resolution No. 970-92 by the Board of Supervisors as disclosed by said Map.

N 15. If extended coverage title insurance will be requested, or if this report has been issued to facilitate a request for extended coverage title insurance, then the following would also be exceptions to coverage:

O Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

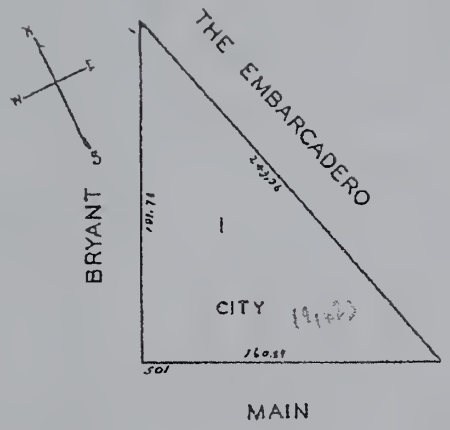
# SCHEDULE B
(continued)

Order No: 6049001

Your Ref:

3770

SO. BEACH BLK. 19




see front wedge

X

VOLUME NO. 25

SHEET NO. 1 OF 3

NOTE: ALL PIERS ASSESSED IN BLOCK 9900

CHICAGO TITLE COMPANY

# PRELIMINARY REPORT

Dated as of: October 5, 2001 at 5:00 PM

Order No.: 6048999 - MN

Regarding: BLOCK 3771
San Francisco, California

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

California Land Title Association Standard Coverage Policy

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Title Department:

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590 Ygnacio Valley Road, Suite 300
Walnut Creek, CA 94596
Phone: (925) 974-4700

MaryPat Noeker
NATIONAL UNDERWRITER

Escrow Department:

CHICAGO TITLE COMPANY
388 Market Street, Suite 1300
San Francisco, California 94111
(415) 788-0871 fax: (415) 956-2175
Escrow No.: 006048999

Nicole T. Carr
ESCROW OFFICER

# SCHEDULE A

Order No: 6048999 MN Your Ref:

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

CITY AND COUNTY OF SAN FRANCISCO, A CHARTER CITY AND COUNTY, IN TRUST

3. The land referred to in this report is situated in the State of California, County of San Francisco and is described as follows:

SEE ATTACHED DESCRIPTION

# DESCRIPTION

CITY OF SAN FRANCISCO

ALL THAT REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY COMMONLY KNOWN AS SOUTH BEACH BLOCK 30 AS SHOWN ON THE ASSESSOR'S MAP ATTACHED HERETO.

EXCEPTING THEREFROM, ALL SUBSURFACE MINERAL DEPOSITS, INCLUDING OIL AND GAS DEPOSITS, TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS ON SAID LAND FOR EXPLORATION, DRILLING AND EXTRACTION OF SUCH MINERAL, OIL AND GAS DEPOSITS, AS EXCEPTED AND RESERVED BY THE STATE OF CALIFORNIA IN THAT CERTAIN ACT OF THE LEGISLATURE ("THE BURTON ACT") SET FORTH IN CHAPTER 1333 OF THE STATUTES OF 1968 AND AMENDMENTS THERETO, AND UPON TERMS AND PROVISIONS SET FORTH THEREIN.

NOTE: THE DESCRIPTION CONTAINED HEREIN IS BASED UPON INFORMATION SUBMITTED TO THIS COMPANY FOR THE PURPOSE OF THIS REPORT, IT IS NOT BASED UPON A SURVEY. SAID DESCRIPTION DOES NOT LOCATE THE LAND BY REFERENCE TO MONUMENTS OF RECORD AND IS NOT SUFFICIENT FOR TITLE INSURANCE PURPOSES. LINES AND MONUMENTS THEREIN REFERRED TO MUST BE LOCATED BY A CORRECT SURVEY, CONSIDERATION BEING GIVEN TO DESCRIPTIONS OF ADJOINING LANDS NOT INTENDED TO BE INCLUDED WITHIN THE DEVELOPMENT AREA. ANY FINAL REPORT OR POLICY IS DEPENDENT UPON SUCH A PROPER DESCRIPTION BEING FURNISHED AND WILL BE SUBJECT TO ANY MATTERS DISCLOSED BY THE TITLE SEARCH OF ANY ADDITIONAL LAND DISCLOSED BY SUCH DESCRIPTION.

LOT 001, BLOCK 3771

# SCHEDULE B


Order No: 6048999 MN Your Ref:

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. County and city taxes for the Fiscal Year 2001 - 2002, a lien not yet due or payable.

B 2. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Sections 75 et seq.

C 3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District("CFD"), as follows:

CFD No. : 90-1
For : School Facility Repair and Maintenance

This property, along with all other parcels in the CFD, is liable for an annual Special Tax. This Special Tax is included with and payable with the general property taxes of the City and County of San Francisco. The tax may not be prepaid.

D 4. Any adverse claim based upon the assertion that any portion of said land was not tide or submerged land subject to disposition by the State of California on the effective date of the Legislative Grant of such land to the City and County of San Francisco, a Municipal Corporation; in trust, or that any portion thereof has ceased to be tide or submerged land.

E 5. Any right, title, interest of person, known or unknown, who claim or may claim adversely to the vested owners herein by reason of the record title to said property not having been established and quieted under the provisions of the McEnerney Act, so called.

F 6. Rights and Easements for Commerce, Navigation and Fishery.

G 7. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants, and by law as to the land or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionary Rights and Interests as may be possessed by the State of California under the terms and provisions of said Legislative Grants, or by law, including but not limited to:

(A) The right to hunt and fish in and over the waters of San Francisco Harbor.

(B) All surface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City and County of San Francisco for exploration, drilling and extraction of such mineral, oil, and gas deposits, subject, however, to the provision that during the term of any lease, franchise, permit or license of such property pursuant to Section 3 of the Burton Act, such mineral rights herein reserved including the right of ingress and egress, shall not be exercised so as to disturb or otherwise interfere with the leasehold estate or the right or encumbrances to which any such lease, franchise, permit or license may be subject; provided, however, that any lease, franchise, permit or license of such property pursuant to Section 3 of this Act must contain a provision specifying at least one point from which the manner which the right of ingress and egress to said subsurface deposits may be exercised, which point or points may be outside the area of the leasehold, franchise permit or license, providing the point or points are adequate to permit the rights reserved to the State to be exercised.

H 8. The rights and interests of the State of California under the Common Law Trust under which tide and submerged lands are held as Trustor-beneficiary of the trust under which said lands are granted to the City and County of San Francisco by the acts and agreements referred to in Exception No. 7 above, including the right to amend, modify or revoke said trust as expressed in said grants and existing as a matter of law.

The Burton Act, as amended, provides, among other things, that no amendment, modification or revocation shall impair or affect the rights or obligations of third parties including lessees, lenders for value, holders of contracts conferring the right to the use and occupation of, or the right to conduct operations upon or within, such lands, arising from leased, contract, or other instruments, lawfully entered into prior to the effective date of such amendment, modification or revocation.

I 9. Any defect or invalidity of any lease, franchise, permit, license or privilege authorized to be issued pursuant to the Burton Act, so called, or of any agreement made or other act done pursuant to the Burton Act, based upon the assertion that the uses of the land contemplated by any such lease, franchise, permit, license, privilege, agreement or other act are not consistent with the trust under which such lands are held by the State of California and the City and County of San Francisco, or that the Delegation to the Harbor Commission (Port Commission) of the City and County of San Francisco, by Paragraph 6 of Section 3 of the Burton Act, as amended, of the power to determine that said lands are not required for the purposes of commerce, navigation and fisheries numerated in said Paragraph 6 constitutes an unauthorized Delegation of Authority, or that the procedures before said Port Commission authorizing said agreement and

leases are otherwise defective.

J 10. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded JANUARY 30, 1969, BOOK B308, PAGE 686, SERIES NO. R40413, OFFICIAL RECORDS.

K 11. Agreement for : BRIDGE AND HIGHWAY PURPOSES
Dated : JANUARY 30, 1969
Executed By : DEPARTMENT OF PUBLIC WORKS, DIVISION OF HIGHWAYS, DIVISION OF TOLL CROSSINGS AND THE CALIFORNIA TOLL BRIDGE AUTHORITY OF THE STATE OF CALIFORNIA
And Between : THE SAN FRANCISCO PORT AUTHORITY
Upon the terms, provisions, covenants and conditions contained therein,
Recorded : FEBRUARY 27, 1969, BOOK B315, PAGE 786, OFFICIAL RECORDS

L 12. Matters disclosed by that certain Map entitled, "Map of Lands Transferred in Trust to the City and County of San Francisco", situated in the City and County of San Francisco, State of California filed in Book "W" of Maps at Pages 66 thru 72 in the City and County of San Francisco Recorder's Office, a copy of which was recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88209.

M 13. Matters disclosed by that certain instrument entitled "Legal Description" recorded May 14, 1976 in Official Records of City and County of San Francisco, State of California at Instrument No. Y88210.

T 14. Terms and provisions of that certain order vacating portions of Beale Street, First Street and Townsend Street at The Embarcadero, pursuant to Ordinance No. 172-89, recorded JUNE 8, 1989, REEL E867, IMAGE 1178, SERIES NO. E378066, OFFICIAL RECORDS.

N 15. If extended coverage title insurance will be requested, or if this report has been issued to facilitate a request for extended coverage title insurance, then the following would also be exceptions to coverage:

O Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

P Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.

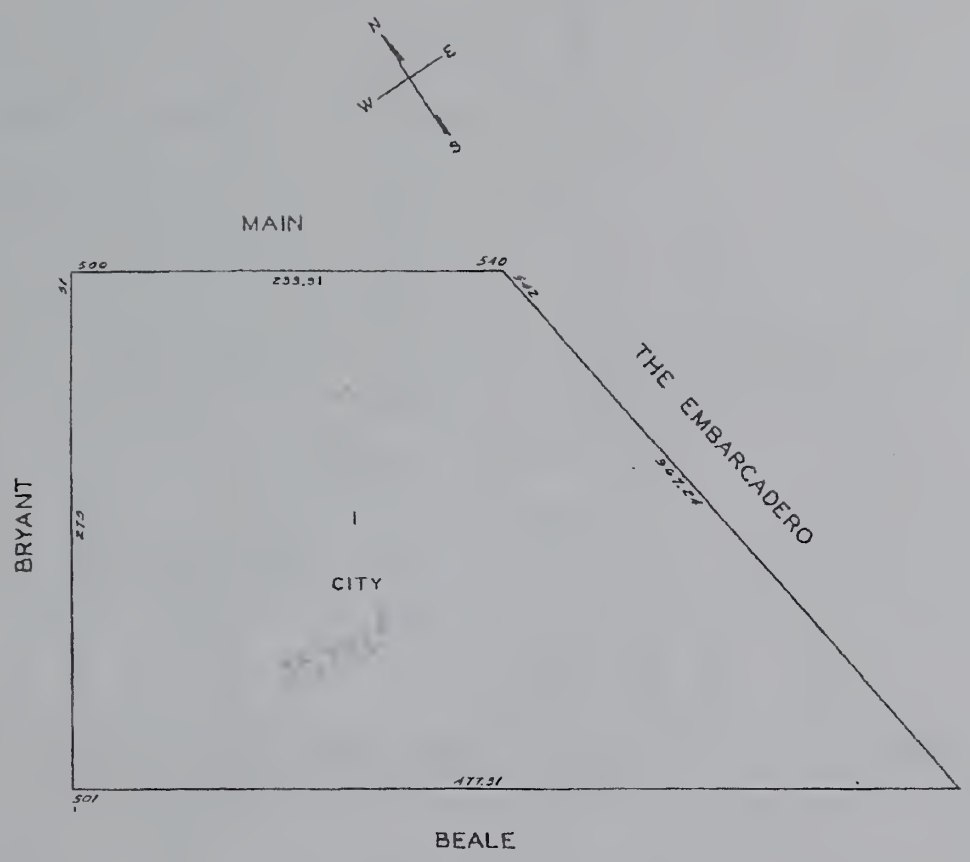
# SCHEDULE B
(continued)

Order No: 6048999 MN

Your Ref:

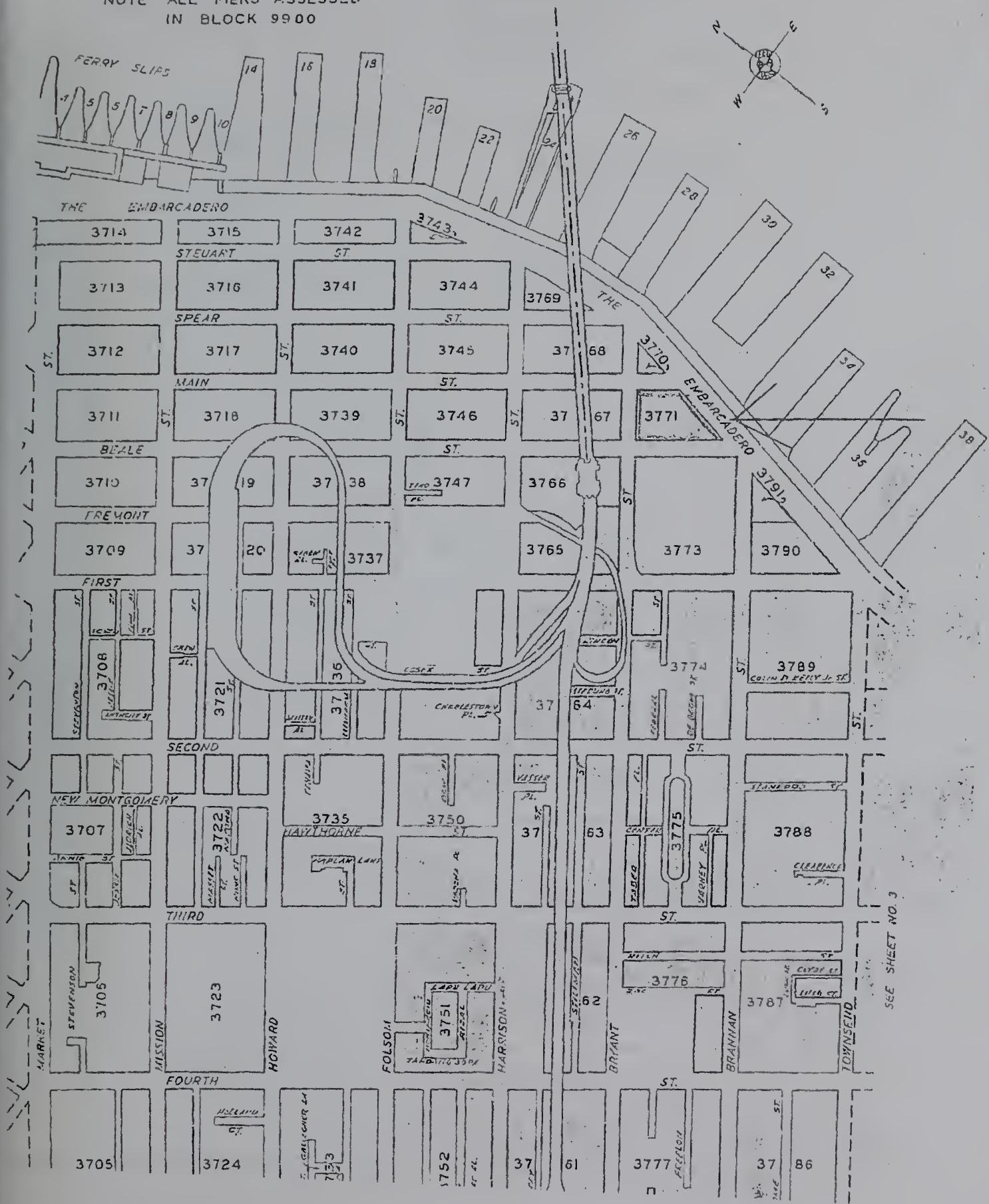
3771

SO. BEACH BLK.20



SHEET NO. 1 OF 3

NOTE ALL PIERS ASSESSED IN BLOCK 9900



SAN FRANCISCO, CA
RECORDER'S OFFICE

DOC- E378068
Thursday, June 08, 1989 08:20:10PM
TOTAL ->

REC E887 PAGE 592

Return to: Erica Peron
Board of Supervisors, Room 235, City Hall

*Office of the Clerk of*
*BOARD OF SUPERVISORS*
*City Hall* *San Francisco, California*

To: Recorder

*Your attention is hereby directed to the following passed by the Board of Supervisors of the City and County of San Francisco:*

*STATE OF CALIFORNIA*
*City and County of San Francisco*

*CLERK'S CERTIFICATE*

*I, John L. Taylor, Clerk of the Board of Supervisors of the City and County of San Francisco do hereby certify that the annexed* Ordinance No. 172-89 *is a full, true and correct copy of the original thereof on file in this office.*

*IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the official seal of the City and County this*

6th *day of* June, 19 89

*John L. Taylor*
*Clerk of the Board of Supervisors*
*City and County of San Francisco*

*By* Jean Sucro

SUR
1186

AMENDED IN THE BOARD
4/3/89

FILE NO. 188-89-2.1

ORDINANCE NO. 172-89

REEL E887 PAGE 593

[Street Vacation]

ORDERING VACATION OF PORTIONS OF BEALE STREET, FIRST STREET AND TOWNSEND STREET AT THE EMBARCADERO; AND ADOPTING FINDINGS PURSUANT TO CITY PLANNING CODE SECTION 101.1.

Be it Ordained by the People of the City and County of San Francisco:

Section 1. On April 10, 1989, the Board of Supervisors adopted Resolution No. 251-89, approved by the Mayor on April 14, 1989, being a Resolution of a Declaration of Intention to order the vacation of portions of Beale Street, First Street and Townsend Street as shown on Department of Public Works' Drawing 1978-1988, a copy of which is on file in the office of the Clerk of the Board of Supervisors.

Section 2. The Clerk of the Board of Supervisors did transmit to the Department of Public Works and the San Francisco Port Commission a certified copy of said Resolution, and said Department of Public Works did cause to be posted in the manner and as required by law, notice of the passage of said Resolution.

Section 3. When said matter was considered as scheduled by the Board of Supervisors at the regular meeting held in the City Hall, San Francisco, on May 15, 1989, beginning at 3:00 p.m., said Board heard all persons interested in said vacation.

Section 4. The public interest and convenience require the vacation to be done as declared in said Resolution No. 251-89.

Section 5. The San Francisco Port Commission shall have jurisdiction over the vacated street area subject, however, to the reservations, provisions and conditions set forth in the Declaration of Intention to order said vacation and hereto.

Section 6. The San Francisco Port Commission shall ensure that the costs of relocation or installation of any facilities shall be at no charge to the City.

Section 7. The Department of City Planning reported on September 7, 1988 that said proposed vacation is in conformity with the Master Plan and that review

for consistency with the Eight Priority Policies of Planning Code Section 101.1 is unnecessary since the subject proposal is the implementation of a Redevelopment Agency residential project.

Section 8. The San Francisco Board of Supervisors adopts as its own and incorporates by reference herein the findings made by the Department of City Planning, as stated in its letter dated September 8, 1988, that the proposed vacation of said portions of Beale, First and Townsend Streets is in conformity with the Master Plan and that review for consistency with the Eight Priority Policies of Planning Code Section 101.1 is not required.

Section 9. Upon vacation of the subject street areas, the jurisdiction which the Department of Public Works has over said street areas will be relinquished.

Section 10. The Board of Supervisors has required jurisdiction to order said vacation subject to the conservations, provisions and conditions set forth in the Declaration of Intention to order said vacation and herein.

Section 11. The Director of Property is hereby authorized to accept quitclaim deeds from the abutting property owners quitclaiming their interests in said portions of Beale, First and Townsend Streets proposed to be vacated.

Section 12. In the event the San Francisco Port Commission elects to lease said vacated street areas, the lease documents shall contain language assuring continuance of the present rights of the public utilities and City Departments presently having facilities in the street areas and shall ensure that, if any future adjustment or relocation of said facilities is required by lessees, the cost shall be borne by lessees.

Section 13. Said portions of Beale Street, First Street and Townsend Street, as shown on said Department of Public Works' Drawing 1071-1188, are hereby ordered vacated, subject to the conservations, provisions and conditions as set forth in the Declaration of Intention to order said vacation and herein.

(Real Estate)
BOARD OF SUPERVISORS



Order: AUTO-MP-00047627 Description: 1989.378068 Page 3 of 5 Comment:

Section 14. The Clerk of this Board is hereby directed to transmit a certified copy of this Ordinance to the Recorder, to the Director of Public Works, and to the Executive Director of the San Francisco Port Commission; and the aforesaid are hereby directed to proceed thereafter as required by law.

(SEE FILE FOR DEPARTMENTAL APPROVALS)

0433

Board of Supervisors, San Francisco

| Passed for Second Reading | Finally Passed |
|---|---|
| May 15, 1989 | May 22, 1989 |
| Ayes: Supervisors Alioto Britt Gonzalez Hallinan Hongisto Molsh Kennedy Maher Melder Walker | Ayes: Supervisors Alioto Britt Gonzalez Hallinan Molsh Kennedy Melder Walker Ward |
| Absent: Supervisors Ward | Absent: Supervisors Hongisto Maher |

I hereby certify that the foregoing ordinance was finally passed by the Board of Supervisors of the City and County of San Francisco

Acting Clerk

File No. 190-89-2.1

MAY 25 1989

Date Approved

Mayor

EXHIBIT D

APPRAISAL INSTRUCTIONS FOR
PIERS 30-32 GROUND LEASE AND SEAWALL LOT 330 SALE OR GROUND LEASE

*(Proposed Development Of A Public Assembly Venue Useable For Conventions, Warriors Home Games, And Other Purposes, And Related Improvements)*

## I. Introduction

The City and County of San Francisco (the "City"), together with its Port Commission (the "Port"), are evaluating a proposal to develop a project on Port-owned properties that are the subject of the fair market value appraisal contemplated by these instructions. The proposed project consists of two related components, on separate Port parcels. The first part of the project involves construction of a new privately financed, state-of-the art multi purpose facility with seating for approximately 17,000-19,000 persons, capable of being used as an event venue and for other public assembly uses, including for conventions, Golden State Warriors' home games, and other purposes, along with public open space improvements, parking facilities, visitor-serving retail, maritime access, and other related uses, on Piers 30-32 (the "Waterfront Site"). The developer would finance and build these improvements under a ground lease from the City's Port, and it would complete them by the Fall of 2017.

The second part of the proposed project includes the construction of improvements on the undeveloped portion of Seawall Lot 330 located on the west side of The Embarcadero, between Beale and Bryant Streets, on the other side of the street from the Waterfront Site (the "Seawall Lot Site"). The Port would convey title to the Seawall Lot Site in fee if certain conditions are met; otherwise, the Port would enter into a ground lease for that site. The scope of development for the Seawall Lot Site is not yet known.

The improvements on the Waterfront Site and the Seawall Lot Site are collectively referred to below as the "Improvements," and both components of the proposed project are collectively referred to below as the "Project." The developer of the proposed Project is GSW Arena LLC, or an affiliate of such entity (the "Developer"). The Developer is an affiliate of the entity that owns the Warriors franchise.

### A. The Existing Site: Characteristics, Opportunities and Limitations

#### 1. The Waterfront Site.

The Waterfront Site consists of approximately 553,778 square feet of land area, or about 13 acres with approximately 88,889 square feet of water area adjacent to the site and within the Port's pierhead line, as shown in Exhibit A. The Waterfront Site is currently used for short-term parking accommodating up to about 1,000-1,500 automobiles, occasional cruise terminal berthing when the Pier 27 and Pier 35 cruise terminal berths are occupied and occasional lay-berthing such as for Fleet Week Naval vessels. The Port leases space on the pier deck of the Waterfront Site (shown on Exhibit A) on a month-to-month basis to Imperial Parking (U.S.), Inc., under Lease L-13444, for short-term and monthly parking. The lease provides the Port with

monthly rent equal to 66% of the gross parking income net of parking tax collections. The Port received annual rental income from April 2011 to March 2012 equal to approximately $81,847. The lease is on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses.

Also, the Port leases approximately 3,040 square feet of the Waterfront Site (as shown on Exhibit A) to Red's Java House, under Lease No. L-11914, for restaurant use. The Port has also issued to Red's Java House a companion parking license for a portion of the site. Both the lease and license are on a month-to-month basis. From April 2011 to March 2012 the lease and license generated approximately $61,241 in annual rent to the Port. The lease and license are on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses (except for substructure maintenance or repair costs).

The piers comprising the Waterfront Site have a limited remaining useful life, requiring a substantial capital investment to repair the substructure and bring the piers up to modern seismic standards and to preserve the piers. The Port has not included the costs to improve the piers in its FY 2013-2022 Capital Plan due to limited Port resources and competing Port priorities.

The Waterfront Site has a zoning designation of M-2 (Heavy Industrial). M-2, codified in Planning Code Section 210.6, is one of the least restrictive zoning designations in terms of use and generally is located on the eastern side of the City and under the control of the Port. This district allows heavy industries served by rail, water transportation, and/or large utility lines. Typically this district has fewer requirements for screening and enclosure than Light Industrial zoning, but many of these uses are permitted only as conditional uses or at a minimum distance from any Residential District.

The Waterfront Site is zoned for a 40-X height and bulk district, meaning a 40 foot height limit with unrestricted bulk.

State legislation AB 1389 (Stats 2001, Ch. 289), as amended by AB 605 (Stats 2003, Ch. 68) authorized the use of the Waterfront Site for cruise terminal development and ancillary retail and general office use, subject to obtaining all applicable regulatory approvals. More specifically, AB 1389 made various legislative findings regarding the need for a new cruise ship terminal at Piers 30-32, the creation of the Brannan Street Wharf and development in the area of Piers 34 and 36. It also declared, among other things, that: (a) the circumstances for this project were unique to Piers 30-32, (b) the act furthered the public trust purposes of increasing maritime activities and expanding public access and use of the waterfront; and (c) it was desirable to accelerate the construction of the Brannan Street Wharf adjacent to Piers 30-32.

AB 1389 authorizes the Port Commission to approve a cruise ship terminal, other maritime facilities, and retail and office space at Piers 30-32, provided that the following conditions were met: (a) The development includes a modern two-berth cruise ship terminal and a public access component. (b) Before submitting a major permit application to San Francisco Bay Conservation and Development Commission (BCDC) for the project, the Port, after review by BCDC, approves the final design concept for the Brannan Street Wharf development. (c) Before issuance of a BCDC permit for the cruise ship development project, the Port must demonstrate to the satisfaction of BCDC, and the State Attorney General's Office, that

it has encumbered all funds necessary for completion of the Brannan Street Wharf and has placed the funds in a segregated account. (d) The amount of office space in the development does not exceed 300,000 leasable square feet, all of which must be above ground level and designed to include public spaces and public access (also, an additional 25,000 square feet of general office space is permitted for a limited period of time.) (e) The development includes a marketing program to maximize office space occupied by trust-related tenants over the life of the development, and (f) The cruise ship terminal project, as approved by BCDC, complies with certain specified "trust retail" and "nontrust retail" leasable space requirements. Under the legislation, to approve a cruise terminal project, the Port Commission does not need to obtain approval from the State Lands Commission or obtain a public trust consistency finding from BCDC.

The Port's efforts over the years to develop the Waterfront Site under AB 1389 and AB 605 through a public-private partnership have not been successful. The Port has decided to develop a cruise terminal at Pier 27 instead of at this site, and construction of that facility has begun at the Pier 27 site in connection with the 34th America's Cup event. Without the cruise terminal at the Waterfront Site, AB 1389 cannot be relied upon to allow for the ancillary retail and office uses it permits.

The Waterfront Site is subject to the Burton Act trust, the Burton Act Transfer Agreement and the public trust for commerce, navigation and fisheries (collectively, the "public trust"). The public trust limits uses of that site. For example, the public trust generally prohibits general office, retail uses that are purely local and do not serve visitors, and residential uses. The public trust also prohibits conveyance of a fee interest in the Waterfront Site. The Burton Act limits leases to 66-year terms at the Waterfront Site.

The Port Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for property within Port jurisdiction, including the Waterfront Site, and provides the policy foundation for waterfront development and improvement projects. After a multi-year cooperative process, the Port and BCDC adopted the Special Area Plan, which allows for the revitalization of certain piers for uses consistent with the public trust. The Waterfront Plan and the Special Area Plan recognize that the development of the Waterfront Site and the surrounding area should further the trust purposes of supporting maritime activities and expanding public use and enjoyment of the waterfront on trust lands at this location. The Special Area Plan sets forth certain design considerations for the site, including strict limitations on new fill and a requirement to provide maximum feasible public access. A project that provides at least 35% of the pier area for public open space is deemed to provide maximum feasible public access.

The Waterfront Plan identifies the Waterfront Site as a major development opportunity site, and the City, through its Port, has undertaken numerous unsuccessful attempts to develop the site in accordance with the Waterfront Plan's objectives, including the recent effort related to the 34th America's Cup and the previous effort described above to develop a fully entitled two berth international cruise terminal. In each of those two instances the private project sponsor abandoned its plans due to much higher than expected costs to repair the Piers 30-32 substructure. The Waterfront Plan contemplated the potential for developing an arena in the South Beach/Rincon Point Subarea of Port property (at the current location of AT&T Ballpark), which is only within a few blocks of the Waterfront Site. Pursuant to Proposition H, the

Waterfront Plan prohibits hotel use on the Waterfront Site. An amendment to this policy to allow hotel use would require a vote of the San Francisco electorate.

Piers 30-32, which comprise the Waterfront Site, are not designated as historic piers and are not within the Embarcadero Historic District. Red's Java House, which is situated on a portion of the Waterfront Site, is designated as a contributing resource to the Embarcadero Historic District. Development on the piers must be designed in a manner that is consistent with the structure's contribution to the district.

2. The Seawall Lot Site.

The Seawall Lot Site consists of approximately 101,330 square feet, or 2.3 acres, as shown on Exhibit B. The Seawall Lot Site, which fronts on the Embarcadero, is currently used for short-term parking accommodating up to about 260 automobiles. The Port currently leases the Seawall Lot Site on a month-to-month basis to Imperial Parking (US), Inc., for use as a parking lot. The monthly rent under the lease is a base rent of $38,644 plus any amount by which 66% of the gross parking income (net of parking tax) exceeds the monthly base rent. The average rental income the Port realized from April 2011 to March 2012 was $54,629. The lease is on a triple net basis, where the tenant is responsible for all operating, maintenance and tax expenses.

The Watermark, which was completed in 2006, is a 22-story condominium tower that is situated on a square lot at the corner of Beale and Bryant, to the west and immediately adjacent to the Seawall Lot Site. In 2003, the Port sold this site, which had been a portion of Seawall Lot 330. The Port used proceeds from that sale together with a contribution from a City park bond to fund construction of the Brannan Street Wharf, located on The Embarcadero Promenade just south of the Waterfront Site. Estimated to be complete by June 2013, the Brannan Street Wharf is a $25 million project for a new 57,000 square foot public park over the water and parallel to the Embarcadero Promenade.

The Seawall Lot Site has a zoning designation of SB-DTR (South Beach Downtown Residential). SB-DTR, codified in Planning Code Section 829, covers areas adjacent to the southern edge of the downtown and is within and adjacent to the South Beach Redevelopment Project Area. SB-DTR zoning allows high-density residential uses and supporting commercial and institutional uses and encourages them within the limits set by height, bulk and tower spacing controls. It also generally requires active uses on streets, such as individual townhouse dwelling units with ground floor entries leading directly to the street. SB-DTR limits lot coverage for all levels with residential uses that does not face onto a street, but does not require traditional rear yard open spaces. Specific controls govern height, bulk and massing and ensure adequate spacing between towers to establish a neighborhood scale and ensure light and air to street and open spaces. Developments must have setbacks where necessary to provide transition space for ground floor residential uses and to ensure sunlight access to street and open spaces. Off-street parking must be located below grade. Planning Code section 829 effectively requires residential development, by establishing a ratio of 6:1 between residential and other permitted uses.

The Seawall Lot Site is zoned 65/105-R, which means that the podium level is limited to 65 feet in height and any tower on the site can reach up to 105 feet with a floor area of 7,500

square feet under Planning Code Section 263.19. Towers must be at least 115 feet from any other tower above 65 feet, even if the other tower is on a different site.

The Seawall Lot Site is located in the East South of Market Area of the Eastern Neighborhood Plan. Accordingly, development in this location would require payment of the Eastern Neighborhood Infrastructure Impact Fee in addition to all other applicable City fees. The amount of that fee varies depending on the uses developed. Inclusionary housing requirements on the site would be 15% on-site or 20% off-site or in-lieu fees for buildings under 120'.

The Seawall Lot Site is subject to two pieces of State legislation that could affect its development and disposition by the City's Port: SB 815 (Stats 2007, Ch. 660) and AB 418 (Stats 2011, Ch. 477). In contrast to the Waterfront Site, the Seawall Site is free from some or all public trust restrictions under certain conditions set forth in SB 815 and AB 418, as described generally below.

In SB 815[1] the State Legislature declared that SWL 328 (under the Bay Bridge), SWL 330 and SWL 337[2] were free from the use requirements of the public trust. As a result, the City, through its Port, has the authority to enter non-trust leases at these sites for periods of up to 75 years, but terminating not later than 2094. The leases must be for fair market rent, and the State Lands Commission must approve the leases, making findings described in the act. The Port must use the net proceeds from the leases to rehabilitate the Port's historic resources and build waterfront open spaces in the Special Area Plan (Northeast Wharf Plaza[3] or Brannan Street Wharf). The Port must hold the net proceeds of the leases in a segregated account and the Executive Officer of the State Lands Commission must approve the uses of Port property where the Port proposes to expend net proceeds.

Subsequently, under AB 418[4] the State Legislature made findings about the 34th America's Cup Host Agreement between the City and the America's Cup Event Authority, lifted the public trust from SWL 330, and, subject to certain limitations, permitted the sale of the Seawall Lot Site at fair market value, subject to State Lands Commission review of the appraisal and after the Port identifies and commits to impress the public trust on land of equal acreage along San Francisco Bay, as approved by the Commission. Also, the Port can convey title to the Seawall Lot Site free of a Port reversionary interest and all public trust interests only if the America's Cup races are held in San Francisco Bay before December 31, 2013. AB 418 requires the Port to use such sales proceeds for trust purposes. The Port may accept consideration from a sale in the form of improvements to AC34 venues or other Port property

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[1] http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_0801-0850/sb_815_bill_20071011_chaptered.html

[2] The legislation establishes conditions precedent to the termination of the trust as to SWL 337; BCDC must amend the Seaport Plan to remove SWL 337 and the Commission must approve a Port study of potential trust uses of SWL 337 to determine which portions of the site may be preserved for trust uses (particularly along the north and east edges of SWL 337).

[3] The Northeast Wharf Plaza at Pier 27 is an approximately two-acre plaza expected to cost $15 million and will be funded by the 2012 parks general obligation bond scheduled for a vote in November, 2012

[4] http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0401-0450/sb_418_bill_20111006_chaptered.html

AB 418 also authorizes the lease of SWL 330, including the Seawall Lot Site, for non-trust purposes for a term of up to 75 years. Consideration for such a lease must be fair market value, as determined by the Port, and may be in the form of improvements to Port property in accordance with the America's Cup Host Agreement. At the termination of the lease, any improvements on the Seawall Lot Site would become the property of the Port without further consideration.

B The Proposed Project and Transaction Structure

The proposed Project is a public assembly venue that will draw visitors from the entire Bay Area, and beyond, to this unique site along San Francisco Bay for events during 200 or more days a year. The Developer and the City are committed to designing the Project to meet all of the public trust and other requirements that apply to the Waterfront Site, while taking advantage of the Project's extraordinary proximity to the Brannan Street Wharf and the Brannan Street Wharf Open Water Basin between Piers 32 and 38.

The proposed Project will be refined and improved through the public review process, including the BCDC Design Review Board (with respect to Piers 30-32) and the City's Waterfront Design Advisory Committee process. The Developer and the City are committed to designing the portions of the proposed Project on Piers 30-32 in consultation with BCDC and State Lands Commission staff to meet the various necessary design objectives of the Special Area Plan and ensure that the Project is consistent with the public trust. Key design features that will support both Special Area Plan and public trust consistency include a significant extension of the Portwalk and major new Bay oriented public open space on the piers.

Relevant Special Area Plan design objectives include: ensuring maximum feasible public access to the Waterfront Site; creating public open space on at least 35% of the surface area on Piers 30-32; to the extent feasible preserving the iconic views of the Bay Bridge from public view corridors; creating a design that respects the Embarcadero Historic District; using the Bay as an asset in the design of the proposed Project; enhancing Bay views and providing opportunities for public views of the Bay from unique elevations along the waterfront; creating ancillary parking facilities sized and located to minimize adverse impacts on public access; and providing plentiful and high quality bicycle parking for attendees of events at the multi-purpose public venue.

To help ensure public trust consistency, the Project will provide a high-quality visitor experience before, during and after events that is appropriate to the Waterfront Site and its Bay setting. Also, the Waterfront Site will incorporate maritime use of the Piers 30-32 north and/or east berths, water-oriented transportation services and recreational boat access, visitor-serving retail and restaurants, major new open space, and event programming to benefit the Port, Bay maritime commerce, and other public trust purposes.

To implement the proposed Project, and subject to all required approvals, the Developer would acquire (1) a leasehold interest from the City, through its Port, under a long-term ground lease of the Waterfront Site (for a term of up to 66 years) and (2) fee title to the Seawall Lot Site if conditions can be met, or, instead, under a long-term ground lease of the Seawall Lot Site (for a term of up to 75 years). Both transactions would be based on the fair market value of the property interests involved. The conveyance of the leasehold interest to the Waterfront Site and of fee title (or, alternatively, leasehold title) to the Seawall Lot Site would occur concurrently, after environmental review of the proposed Project under CEQA is complete and the Project receives all required City and State approvals. The current schedule contemplates that the Developer would obtain the required approvals before the end of 2013 or the first part of 2014, that the closing of the leasehold and fee interest conveyances would occur in the first half of 2014 and the construction would begin in June, 2014.

Development of the Waterfront Site will require substantial capital improvements to the pier substructure. The parties anticipate that the Developer will be responsible for all of the costs of the substructure improvements. The Developer will be reimbursed for these costs to the extent necessary to support development of the highest and best use on the Waterfront Site, on terms to be negotiated, possibly through rent credits or other means agreed upon by the parties. The City may also establish an infrastructure financing district ("IFD") that would be comprised of the Waterfront Site and the Seawall Lot Site, and make available property tax increment from the IFD to help reimburse Developer for privately funding Piers 30-32 substructure costs needed to support the Project or for other public infrastructure costs associated with the Project, all on terms to be negotiated by the parties.

The Port will deliver each of the Waterfront Site and the Seawall Lot Site in its "as is, with all faults" physical condition. The City, including its Port, will not be responsible for any hazardous materials investigation or other site preparation or construction costs, except for funding the to be agreed-upon necessary Piers 30-32 substructure costs (piers, bulkhead and foundation improvements). In connection with its development, lease and use of the Waterfront Site and Seawall Lot Site, the Developer will indemnify the City, including its Port, for hazardous materials generated at or transported to the Waterfront Site or the Seawall Lot Site as a result of the Project. Except as provided above the transaction documents will include standard representations, warranties and covenants in Port ground leases and conveyance agreements.

Subject to reimbursement for Piers 30-32 substructure costs as described in these instructions, the Developer will be responsible for constructing and financing 100 percent of the cost of all of the improvements on the Waterfront Site and the Seawall Lot Site.

## II. Purpose of the Appraisal

The appraisal assignment is to separately determine (1) the fair market rent of a 66-year leasehold interest in the Waterfront Site, and (2) the fair market value of the fee interest in the Seawall Lot Site, and as an alternative, the fair market rent of a 75-year leasehold interest in the Seawall Lot Site. The City including its Port will use the appraisal as the basis for a negotiated ground lease of the Waterfront Site between the City, through its Port, and the Developer, and a negotiated sale (or, if appropriate, ground lease) of the Seawall Lot Site between the City, through its Port, and the Developer, as part of the terms for development of the whole Project. The City also intends to use the appraisal to support findings that the proposed transactions for

the Project are consistent with the public trust and with the conditions in the State statute (AB 418) allowing for the City's sale of a fee or leasehold interest in the Seawall Lot Site free from public trust restrictions.

The appraiser shall be a member of the Appraisal Institute (MAI), selected by the Port, in consultation with the Developer, from the City's panel of appraisers (the "Appraiser"). The Appraiser shall be under contract to the City under the terms and conditions substantially consistent with the City's standard form appraisal agreement, subject to the special instructions set forth in this document. The City, including its Port, and the Developer, in consultation with State Lands Commission staff, have agreed to the City's use of an appraiser from the City's Department of Real Estate panel for these purposes.

The Developer shall pay, or reimburse the City for, all fees and costs of the Appraiser due under the contract. The fees of the Appraiser shall be mutually agreed upon by the Appraiser, the Developer, the Director of the Office of Economic and Workforce Development and the Port Director, consistent with this document.

The appraisal report shall include the Appraiser's final opinion of the fair market rent for the Waterfront Site and the fair market value for the Seawall Lot Site based on the parameters and special instructions set forth in this document. The final opinion of value must be a specific dollar figure for each property interest, the leasehold for the Waterfront Site, the fee interest for the Seawall Lot Site and as an alternative the leasehold interest in the Seawall Lot Site. The appraisal report shall contain all pertinent information or documentation supporting the conclusions, as well as a clear and detailed description of the assumptions and any limiting conditions, qualifications or omissions, and of the method of analysis the Appraiser used in reaching the conclusions. The appraisal report shall contain a duly executed certification by the Appraiser, in a form mutually agreed to by the Appraiser, the City including its Port and the Developer.

The appraised value shall reflect the independent professional judgment of the Appraiser and be consistent with the special instructions. The Appraiser shall use appropriate approaches to value in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), consistent with the following special instructions.

## III Special Appraisal Instructions

The special instructions to the Appraiser, as agreed upon by the City, including its Port, and the Developer, in consultation with the staff of the California State Lands Commission as to the appraisal of the fee (and leasehold) interest in the Seawall Lot Site (and for its information as to the leasehold interest in the Waterfront Site), are as follows:

A For Both Property Interests:

The Appraiser shall assume the following in appraising the leasehold interest for the Waterfront Site and the fee interest (and alternatively the leasehold interest) for the Seawall Lot Site

- That the City, through its Port, owns fee simple title to the entire site, including the Waterfront Site and the Seawall Lot Site, and holds good and marketable title, subject to the public trust, and as those trusts and restrictions have been modified and amended by AB 1389 and AB 605 regarding an authorized cruise terminal project at the Waterfront Site and by SB 815 and AB 418 relating to the Seawall Lot Site.
- The Appraiser shall identify the highest and best use for the property, without limiting such use to the proposed uses under the Project. But neither site shall be appraised based on long-term use for surface parking (the current interim uses of the sites).
- The Appraiser shall use methodologies generally recognized by appraisers as necessary to produce credible appraisals.
- That the zoning districts and designations discussed above continue to apply to both sites. But neither site is entitled for development.
- The Appraiser shall factor in the costs and time necessary to secure entitlements for both the Waterfront Site and Seawall Lot Site and, in doing so, shall look to recent waterfront development projects of similar scale in San Francisco as comparables.
- That the project sponsor will pay all applicable development impact fees based on the highest and best use.
- The Appraiser should not assume that an IFD will be formed or that property tax increment proceeds or increment bond financing will be available to help pay for infrastructure costs on the Waterfront Site or the Seawall Lot Site.
- That except for a public trust exception affecting the Waterfront Site and the ban under Proposition H on hotel development for the Waterfront Site, there are no title exceptions adversely affecting value, financeability or use of the subject properties for their highest and best use and that the City, through its Port, has fee title to the properties free and clear of any so-called "McEnerney exception."
- Except as otherwise specified in these special instructions, the Appraiser shall value all of the Port property in its "as is, with all faults" condition.
- In view of the valuation of the subject property in its as is condition, the appraisal should take into account offsets for hazardous materials, geotechnical conditions and mitigation for sea-level rise, to the extent any such offsets are appropriate for the highest and best use. If the Appraiser determines that the proposed comparable sales include a factor for those matters, the Appraiser shall take into account any special conditions, such as unusual costs of geotechnical shoring, preparation of hazardous materials investigation and remediation, and costs to protect the Waterfront Site from reasonably anticipated sea-level rise, that would distinguish the subject property from the sites proposed as comparables. If there are conditions that would distinguish the property and the costs to investigate and remediate or otherwise address these issues are unavailable before the conclusion of the appraisal report, the appraisal report shall make clear that it does not include such offsets and that appropriate offsets will need to be made at such later time as such information is available.

- The Port will deliver the sites with or without the existing parking leases, as preferred by the Developer.
- The effective date of valuation is _____ _____2012.

B. Additional Special Instructions for the Appraisal of the Waterfront Site Only:

In addition to the special instructions for both properties identified above, the Appraiser shall assume the following regarding its appraisal of the Waterfront Site.

- The Appraiser shall assign a specific annual rent to the leasehold interest, and shall make clear any assumptions about annual cost-of-living adjustments in that rent or any market rate resets during the term or any extension options as well as any assumptions about percentage rent or other income participations.
- That the Waterfront Site is 553,778 square feet.
- The Waterfront Site is in a 40-X height and bulk zoning district.
- That the initial term of the ground lease is 30 years, and that the lease may be extended by an additional 36 years for up to a total of 66 years.
- That the Waterfront Site is subject to the public trust, which limits permitted uses.
- That Proposition H, an initiative ordinance approved by the voters in November 1990, bans the construction of hotels on the San Francisco waterfront, including the Waterfront Site.
- If the Appraiser finds that the highest and best use of the Waterfront Site is for a multipurpose public assembly venue that can be used part of the year by the Warriors, and the Appraiser uses an income approach to valuation in doing so, then the Appraiser shall make clear assumptions about allocating value between the property and the team, including, for example, rights to broadcast revenues.
- To satisfy BCDC's "maximum feasible public access" requirements, at least 35% of the Waterfront Site shall be dedicated to public open space use, including perimeter public access and the costs of improving public open space on the Waterfront Site shall be assumed to be borne by the Developer.
- The Appraiser shall identify what substructure improvements are necessary to Piers 30-32 to support development of the highest and best use. The estimated costs of such substructure improvements shall be mutually agreed upon by the City, Port and the Developer and provided to the Appraiser. In arriving at fair market rent, the Appraiser shall assume that the Developer will finance 100 percent of the required costs of such substructure improvements on an up-front basis and at a risk-adjusted cost of capital and shall further assume that the Port will offer rent credits and or other mechanisms to reimburse the Developer for certain costs on terms to be negotiated, but that such rent credits and other mechanisms may not fully reimburse Developer for such costs.
- With respect to hazardous materials, that (i) the property has been a parking lot since _____, (ii) Phase I reports indicate that _____, and (iii) neither the City nor its Port will provide any representations, warranties or indemnities regarding hazardous materials on the Waterfront Site.
- That the Developer is responsible for providing space for the existing Port tenant, Red's Java House, on or adjacent to the Site, on terms and conditions substantially

consistent with its current lease and that the building which houses Red's Java House will be preserved as a contributing resource to the Embarcadero Historic District.

- That the Port may lawfully enter into the lease and related documents, consistent with the public trust, and that the lease will be binding on any successor to the Port according to its terms.

C. Additional Special Instructions for the Appraisal of the Seawall Lot Site Only:

In addition to the special instructions for both properties identified above, the Appraiser shall assume the following regarding the Seawall Lot Site:

- The Seawall Lot Site will be appraised free of any public trust restrictions.
- That the Seawall Lot Site consists of 101,330 square feet.
- With respect to the manner of conveyance, the Appraiser shall value the Seawall Lot Site under two alternative scenarios: (1) Fee Interest. The Appraiser shall determine the fair market value of a sale of a fee interest, based on the premise that all conditions to conveyance of the Seawall Lot Site under AB 418 free of the public trust have been satisfied and that a conveyance of the Seawall Lot Site by the Port free of the public trust is conclusively presumed to be valid. More specifically, the Port will identify and commit to impress other lands, of equal acreage, with the public trust, as necessary to allow the conveyance in fee of the subject property, free of the public trust, under AB 418. And the 34th America's Cup Match will be held in the City by December 31, 2013, as contemplated by AB 418, and the conveyance will close after the date the Match is held. (2) Leasehold Interest. The Appraiser shall assign a specific annual rent to the conveyance of a leasehold interest under a ground lease with an initial term of 30 years with a possible extension of up to 45 years for up to a total of 75 years. Under the leasehold alternative, the Appraiser shall make clear any assumptions about annual cost-of-living adjustments in the rent or any market rate resets during the term or any extension options as well as any percentage rent or other participations.
- The Port's policy is to retain a small percentage participation in the net income from the sale of condominium units (transfer fees) developed on property that the Port sells free of the public trust. The Appraiser shall assume a transfer fee of 0.5% on the net proceeds from sales of condominium units, beginning with the first sale and continuing for future sales based on commercially reasonable projections of turnover of such units.
- The Appraiser shall clearly identify any differing highest and best use analysis under the sale and ground lease alternatives.
- With respect to hazardous materials, that (i) the property has been a parking lot since _____, (ii) Phase I reports indicate that _____, and (iii) neither the City nor its Port will provide any representations, warranties or indemnities regarding hazardous materials on the Seawall Lot Site.
- That use of the site shall require parking constructed below-grade at a ratio of .75:1 for 1-bedroom units and 1:1 for 2-bedroom and above units, 1:1000 s.f. of retail, and 1:200 s.f. for restaurant use.

## IV. Appraisal Process

The Appraiser shall perform the appraisal in three phases:

Phase 1. Provide oral report to the Director of the Office of Economic and Workforce Development, the Port Director and the Developer by August 30, 2012, including an estimated range of value for each of the Waterfront Site and the Seawall Lot Site (under both alternatives), provided that the Appraiser shall use its best efforts to give the report as early as possible before such outside date.

Phase 2: Deliver draft summary appraisal report to the Director of the Office of Economic and Workforce Development, the Port Director, and the Developer by September 10, 2012 (or such other date as mutually agreed upon by the Appraiser and the City), together with an oral presentation by the Appraiser of the draft within five business days after that.

Phase 3: Deliver final narrative appraisal report, upon request by the Director of Economic and Workforce Development, the Port Director and the Developer, by September 28, 2012 (or such other date as mutually agreed upon by the Appraiser and the City).

Phase 4: Present final narrative appraisal report, at the request of the Director of Economic and Workforce Development, the Port Director and the Developer, to State Lands Commission staff. Perform any additional work as required during the Project approval process.

In performing the work required for each of the phases described above, the Appraiser shall cooperate reasonably with other consultants providing services on behalf of the City, including its Port, in connection with the proposed Project.

Also, the Appraiser shall make such presentations to the Board of Supervisors, Port Commission, State Lands Commission, San Francisco Bay and Conservation Development Commission, and such other government bodies and agencies as the Director of the Office of Economic and Workforce Development or the Port Director may, upon consultation with the Developer, request

## V. Appraisal Fees

Fees for the appraisal of the leasehold interest in the Waterfront Site and the fee interest and leasehold interest in the Seawall Lot Site shall be paid by the Developer in accordance with the requirements of the appraisal contract.

## VI. Additional Services Relating to the Appraisal

In the event that the Appraiser performs additional services, including making presentations at public hearings (including the Board of Supervisors, the Port Commission, the California State Lands Commission, and the San Francisco Bay Conservation and Development Commission), providing additional information to other consultants or State agencies involved in

## QUALIFICATIONS OF CHRIS L. CARNEGHI, MAI

California Certified General Real Estate Appraiser No. AG001685

Chris Carneghi is the President of Carneghi-Blum & Partners, Inc., a California Corporation providing real estate appraisal and consulting services. The following is a summary resume of his background and experience.

### EXPERIENCE

Mr. Carneghi has more than 25 years of experience as a real estate appraiser, arbitrator and consultant in the fields of real estate and urban economics. He has conducted numerous real estate appraisals of office buildings, research and development (R&D) buildings, industrial facilities, retail stores and shopping centers, hotels, apartments, condominiums and vacant land. Mr. Carneghi's real estate appraisal expertise is focused on urban/suburban buildings, development projects and land. He has extensive experience in appraising real estate for condemnations, rental and other appraisal arbitration matters, property tax assessment appeals, mortgage loans, assessment districts, community facilities districts and similar public finance bond financing. Analysis and valuation of leasehold, leased fee and other real estate interests are standard areas of practice. He also has experience in cost revenue analyses as they relate to municipal fiscal impacts from a land use project. Mr. Carneghi has been a Member of the Appraisal Institute (MAI) since 1982 and is licensed as a California Certified General Real Estate appraiser.

Mr. Carneghi frequently provides litigation support and serves as an expert witness in court or in private arbitration proceedings. He also acts as either a neutral or party arbitrator in resolving matters of real estate values, rents and related issues. He has been qualified as a real estate appraisal expert and provided testimony in the California Superior Courts of San Francisco, Santa Clara, San Mateo, Marin, Contra Costa, Alameda, Sonoma, Napa and San Joaquin Counties and in the Federal United States Bankruptcy Courts in Oakland, San Francisco, San Jose, San Diego and Santa Rosa. He has been qualified as a real estate expert and testified in Federal Tax Court in San Francisco, in California Public Utilities Commission (PUC) hearings in San Francisco and in hearings conducted at the American Arbitration Association (AAA) and Judicial Arbitration and Mediation Service (JAMS) in various locations. He has also testified in Hawaii concerning ground lease issues.

Carneghi-Blum & Partners, Inc. is a real estate appraisal and urban economics consulting company. The firm has a staff of approximately 20 real estate appraisal and market research professionals and maintains offices in San Francisco, San Jose and Walnut Creek, California. Mr. Carneghi has overall management responsibility for the firm, as well as being the partner in charge of many specific appraisal, arbitration and consulting assignments.

After graduating with academic distinction from the University of California at Berkeley, he worked for several years with Paul Fullerton, MAI, on real estate market research with emphasis on downtown rejuvenation studies. He then spent two years with Kaiser-Aetna, a national real estate development partnership, managing market research and financial analysis for their special projects office. Following this, he was the project economist for the City of San Jose Economic Development and Redevelopment Program. In 1977, Mr. Carneghi established the firm of Urban Economics Corporation, a real estate consulting firm. In 1979, he merged Urban Economics with the firm of Fullerton-Mills, a real estate appraisal firm established in 1972. The merger resulted in Mills-Carneghi, Inc. (later Mills-Carneghi-Bautovich, Inc.). The company became Carneghi-Bautovich & Partners, Inc. in August 1989 and was renamed Carneghi-Blum & Partners, Inc. in July 2004.

Other related experience includes teaching, speaking and publications on various facets of real estate appraisal, arbitration and market research which are listed below. Mr. Carneghi has served on the board of directors of a condominium project. He was a consultant to the San Jose City Council Jobs and Housing Committee, which was charged with investigating the fiscal impact of the imbalance between jobs and housing in that city, and a consultant to the Cupertino City Council concerning the feasibility of high density residential development in that city. He has also made numerous presentations to the rating agencies of Standard and Poor's and Moody's in connection with market studies concerning mortgage revenue bond programs.

## PROFESSIONAL AFFILIATIONS & STATE CERTIFICATION

MAI Designation: (No. 6566) Appraisal Institute
Chairman Admissions Committee: AIREA Chapter 11, 1987
State of California Certified General Real Estate Appraiser No. AG001685

## EDUCATION

Bachelors Degree: Urban Studies, University of California at Berkeley
Masters Degree: Business Administration, San Jose State University

## SPEAKING

Topic: Legal Pitfalls in Arbitration; Lambert v. Carneghi
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2011

Topic: Real Estate Appraisal Principals and Concepts
Location: City of San Jose, Office of Economic Development, May 2011

Topic: Real Estate Appraisal Principals and Concepts
Location: City of San Jose, General Services Department, Real Estate Services and Asset Management Division, August-September 2010

Topic: The Bankruptcy Process: Appraiser / Attorney Interaction
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2010

Topic: Property Tax Assessment Appeal & Procedures
Location: Appraisal Institute Northern California Chapter, Annual Spring Litigation Conference, Woodside, May 2009

Topic: Appraisal Arbitration Workshop
Location: Appraisal Institute Northern California Chapter, Continuing Education Workshop, Pleasanton, September 2005

Topic: Before You Say Yes - Qualifying Appraisal Clients, Engaging Assignments, and Product Pricing
Location: Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, October 2004

Topic: Exchange and Deposition - The Litigation Process Involving a Real Estate Appraiser as an Expert
Location: Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, November 2003

Topic: The Issue of Specific Defendant Compensation For An Unrecorded Public Interest in a Condemned Parcel of Land
Location: Case Studies in Eminent Domain Seminar; Northern California Chapter of Appraisal Institute, Oakland, June 2003

Topic: Rent Arbitration in Volatile Market Conditions
Location: San Francisco Real Estate Roundtable, October 2002

Topic: Demolition and Toxic Contamination Problems in Real Estate Appraising
Location: Santa Clara County Assessor's Training Conference, September 2002

Topic: Appraisal Crossfire: Controversies in the Profession
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1997

Topic: Reviewing the Reviewer in Real Estate Appraisal
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1993

Topic: Property Acquisition Workshop - Nonprofit Housing
Location: San Francisco Redevelopment Agency, February 1993

Topic: Americans with Disabilities Act (ADA) & Unreinforced Masonry Buildings (UMB)
Location: Appraisal Institute San Francisco Bay Area Fall Conference, October 1992

Topic: Private Real Estate and Public Planning
Location: San Jose State University, Urban Planning 143 & 275F, April 1992

Topic: Real Estate Appraising in a Changing Market
Location: Peat Marwick Real Estate Study Group, April 1989, Sept 1985 and June 1984

Topic: Capitalization of First Year Income for a Property in a Market Involving Rent Concessions
Location: AIREA Chapter 11 Meeting, February 1989

Topic: Appraised Values - Downtown Area
Location: City of San Jose Real Estate/Relocation/Appraisal Division, September 1988

Topic: Rent Concessions in the Appraisal Process
Location: AIREA Chapter 11 Meeting, March 1987

Topic: Appraising: Where Are We?
Location: AIREA Chapter 11 Meeting, 1985

Topic: Development Approach to Industrial Land Valuation in an Inflationary Period
Location: Society of Industrial Realtors Appraisal Committee, San Francisco, November 1982

Topic: Market-Feasibility Studies for Mortgage Revenue Bond Programs
Location: Seminar sponsored by Dean Witter Reynolds, St. Francis Hotel, San Francisco, August 1981

Topic: Feasibility Studies in Real Estate Valuation
Location: Valley Seminar sponsored by Sierra Chapter SREA, Modesto Jr College, April 1981

Topic: Economic Feasibility of Downtown Office Buildings
Location: Building Owners and Managers Association Northwest Regional Conference, Spokane, Washington, October 1979

## TEACHING

Course: Real Estate Appraisal (RE 302), Instructor
Location: Golden Gate University, San Francisco, Spring 1989

Course: Topics in Real Estate (BA 296), Guest Lecturer
Location: University of California at Berkeley, Spring 1988

Course: Real Estate and Urban Planning (URB P 196H), Instructor
Location: San Jose State University, Spring 1981

Course: Real Estate Appraisal Problems (BUS 104), Instructor
Location: San Jose State University, Fall 1980, Spring 1981

## PUBLICATIONS

Article: Appraisal Arbitration: The Role of the Real Estate Appraiser in Resolving Value Disputes
**Publication: The Appraisal Journal, April 1999**

Article: Determining Ground-Lease Rental Rates
**Publication: The Appraisal Journal, April 1994**

Article: Real Estate Appraising Under R41c
**Publication: San Jose Business Journal, March 1987**

Article: Specialty Shopping Centers: Factors of Success and Failure
**Publication: The Appraisal Journal, October 1981**

Article: San Jose Office Market
**Publication: Western Real Estate News, 1976**

## QUALIFICATIONS OF TIMOTHY P. RUNDE, MAI, LEED AP

California Certified General Real Estate Appraiser No. AG011358

### EXPERIENCE & EDUCATION

Tim Runde, MAI, LEED AP, is a Partner with Carneghi-Blum & Partners, Inc. in San Francisco, California.

Tim has over 20 years of commercial real estate appraisal experience encompassing a wide range of property types, including commercial office, industrial, retail and multi-family assignments. Areas of special expertise include green, high-performance and sustainable real estate, Net Zero Energy (NZE) buildings, health care properties, complex highest and best use analysis, urban land and infill redevelopment sites, leasehold valuations, ground leases and ground rent determinations, auto dealerships, schools and religious facilities. He has also provided litigation support and served as an expert witness in a variety of settings including arbitration and ad valorem tax appeal proceedings.

Tim received his Masters of Science in Real Estate Appraisal and Investment Analysis from the University of Wisconsin under the direction of Dr. James Graaskamp. While studying there, he was awarded a Hollander Fellowship with the Wisconsin Housing and Economic Development Authority and worked as a project manager with a national real estate developer.

Beginning in 2007, Tim developed particular expertise in green and high-performance buildings. He remains one of only a few MAI-designated appraisers to also hold a LEED AP accreditation, giving him a unique insight into the value implications of green building design and construction. Tim is a frequent guest speaker across the country to appraisers and others in the commercial and residential real estate industry on the value impact of green and high-performance building on both green buildings and existing building stock.

### PUBLICATIONS

***Integrating Sustainability and Green Building into the Appraisal Process*** – *The Journal of Sustainable Real Estate (JOSRE)*, Volume 2, No. 1, 2010. Available at: http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/11.221_248.pdf

***Are You Sustainable?*** – Sustainability's impact on real estate; *The Registry*, July/August 2010.

## SPEAKING ENGAGEMENTS

***Cracking the Code on Green Building Rating Systems*** – Appraisal Institute Annual Meeting, San Diego, CA; August 2012

***Case Studies in Highest and Best Use Analysis of Health Care Properties*** – Institute for Professionals in Taxation (IPT) Healthcare Property and Sales Tax Seminar, Nashville, TN; April 2012

***Fundamentals of Highest and Best Use, Economic Life and Depreciation for Health Care Properties*** – Institute for Professionals in Taxation (IPT) Healthcare Property and Sales Tax Seminar, Nashville, TN; April 2012

***Appraising Green Residential Properties*** – Appraisal Institute Fall Conference, San Francisco, CA ; October 2011.

***Case Studies in Green Valuation*** – Appraisal Institute Fall Conference, San Francisco, CA ; October 2011.

**Expert Panelist, Department of Energy, Building America Experts Meeting** – San Francisco, CA; June 2011.

***Valuing Green Real Estate*** – Webinar, USGBC-Los Angeles, CA; April 2011.

***Effectively Valuing and Marketing Green Real Estate*** – BuildingsNY/Green-BuildingsNY Conference, New York City, NY; March 2011.

***Is Green the New Brown for Appraisers? 5 Lessons from the Field*** – Webinar, Appraisal Institute, San Francisco, CA; December 2010. Available at: http://www.norcal-ai.org/video/webinar15.html

***Green Building Valuation Workshop*** – Appraisal Institute, Pleasanton, CA; November 2010.

***Sustainability – Beyond Green Building*** – Appraisal Institute Fall Conference, San Francisco, CA; October 2010.

***Case Studies in Green Building Valuation*** - Appraisal Institute Fall Conference, San Francisco, CA; October 2010.

***What We See When You Say Green: Bridging the Communication Gap Between Green Building and Valuation Professionals*** - BuildingsNY/GreenBuildingsNY Conference, New York City, NY; June 2010.

***Integrating LEED into the Appraisal Process*** - Appraisal Institute GGBC, San Francisco, CA; April 2010.

## PROFESSIONAL AFFILIATIONS & STATE CERTIFICATION

MAI Designation: No. 10770, Appraisal Institute
LEED Accredited Professional
State of California Certified General Real Estate Appraiser No. AG011358

## CONTACT INFORMATION

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PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Request approval of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet and authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002)

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

## Introduction

Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility ("ZA-1Project"). One of the proposed routes for the proposed project contemplates transmission line installation along submerged land in the Port's jurisdiction, subject to the Port's proprietary approval. On August 14, 2012, Port staff and representatives of PG&E delivered an informational presentation to the Port Commission describing the proposed project. Exhibits A and B to this staff report show the existing map of the Embarcadero and Potrero Substations, and the proposed route for the submarine alternative for the project along Port submerged land.

The attached resolution requests (i) approval of a term sheet attached as Exhibit C to this staff report ("Term Sheet") outlining the basic terms between the City and County, acting through the Port Commission, and PG&E for use of Port lands by PG&E for the proposed submarine route and (ii) authorization of the Port Executive Director to enter into the negotiations agreement, as further described below, with PG&E. If the Port Commission approves the resolution, PG&E will submit an application to the California Public Utilities Commission ("CPUC") to commence a public process to review the

**THIS PRINT COVERS CALENDAR ITEM NO. 9B**

cost-effectiveness and environmental impacts of the submarine route, subject to other required proprietary and regulatory approvals, including approval by the Federal Energy Regulatory Commission ("FERC") and the California Independent System Operator ("CAISO").

As further described in this report, the Term Sheet contemplates a long-term, non-exclusive license to construct and operate the ZA-1 Project and a Port option to purchase PG&E-owned land at Illinois and 22nd Streets.

**Project Description**

The proposed Embarcadero-Potrero cable, also referred to as ZA-1, would provide a third cable into Embarcadero Substation. Seismic risk is a key consideration in its design and routing. If approved, ZA-1 also will connect PG&E's 230 kV system in San Francisco with both the Trans Bay Cable ("TBC")[1] and PG&E's existing 115 kV systems in San Francisco, providing operational flexibility to both the 230 kV and 115kV systems. Both PG&E and City staff consider the Embarcadero-Potrero 230 kV Transmission Project a high priority because of the impact that outages would have on downtown San Francisco.

The project will involve both transmission line work and substation work. Three major elements are:

- Construct an approximately 3-mile, 230 kV submarine and/or underground cable between the Embarcadero and Potrero Substations;
- Terminate the new cable into a 230 kV bus (to be upgraded as part of a separate reliability project that is underway) at the Embarcadero Substation; and
- Construct a new 230 kV switchyard at Potrero Substation, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards at Potrero Substation via two new 230/115 kV transformers.

The submarine cable route would run in a reinforced underground duct bank about 2 city blocks along the TBC alignment as it exits the Potrero Switchyard and enters the Bay. It would then continue in the Bay along the general alignment and several hundred feet to the west of the TBC, and then return to land 2-3 city blocks from Embarcadero Substation, where it would be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling.

**Negotiation Agreement**

Port staff and representatives of PG&E have negotiated a negotiation agreement ("Negotiation Agreement"), a copy of which is on file with the Port Commission

[1] On August 7, 2007, by Resolution 414-07, the San Francisco Board of Supervisors approved a 66 year license for the construction and operation of the Trans Bay Cable on Port submerged land.

Secretary. Under the Negotiation Agreement, PG&E is responsible for obtaining all regulatory approvals for the Project and will pay expenses reasonably incurred by Port directly and solely related to the Project for, including, but not limited to, time spent on the Project by Port staff, the services of real estate and economic consultants, and legal services. PG&E will also pay Port's costs for legal services associated with the Project that were incurred prior to the execution of the Negotiating Agreement.

**Appraisal**

To calculate the value of the license area, and for purposes of the option to acquire the Hoedown Yard, Port staff commissioned an appraisal through the Department of Real Estate's as-need appraiser pool. The City selected Associated Right of Way Services, Inc. to conduct the appraisal, and PG&E concurred with the selection. Appraisal instructions were to determine:

(a) the fee simple value of the Site assuming raw clean undeveloped land subject only to current zoning (M-2) i.e. market value; and

(b) the fee simple value of the Site "AS-IS" with all faults using assumptions as to the cost of compliance with the Site Management Plan and any other documents provided ... that affect value.

The conclusions of this appraisal will be presented in a November 23, 2012 final appraisal report, done in compliance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The approach to establishing rent for the submerged license area is based on industrial upland values. The process for valuing the Hoedown Yard requires the same analysis. City staff and PG&E representatives therefore agreed to use a single appraisal (using the same set of comparable land values) for purposes of valuing both the submerged license area and the Hoedown Yard.

For purposes of the Term Sheet negotiation, City staff and representatives of PG&E assume a potential range of land value $50-75 per square foot, which has been used to calculate the indicated range of rent for the submerged license area and the range of option sales prices for the Hoedown Yard. The appraisal will be finalized on November 23, 2012. Any modifications to industrial upland land value in the final appraisal will be reflected in the Term Sheet. Prices will be indexed annually by 3% until the parties enter any final transaction.

**Proposed Terms**

Port staff and representatives of PG&E have negotiated a Term Sheet for the project. The following are the high-level terms for the proposed non-exclusive license, which are provided in greater detail in Exhibit C:

<u>License Area:</u> 508,992 s.f. of underground and submerged land, generally along the route depicted in Exhibit B

| | |
|---|---|
| Term: | 40 years, with a 4 year reduced rent construction period, and one 26 year option to renew |
| Annual Rent: | $583,248 - $872,328 annually in 2012 dollars (depending on the final appraised value of industrial land), subject to increases |
| Port Option: | Purchase PG&E Hoedown Yard near Pier 70 at Fair Market Value assuming current industrial M-2 zoning, estimated at $6.5 - $9.8 million |

**Option to Acquire the Hoedown Yard**

As a condition of the license, Port staff has negotiated a transferable Port option to acquire the PG&E Hoedown Yard at Pier 70. A map of the Hoedown Yard is attached as Exhibit D. Current uses at the Hoedown Yard include recycling of excavated soils from PG&E trenching projects. While this use is an important function, it represents a fundamental land use conflict with the Port's planned development efforts at Pier 70. The Hoedown Yard is located at Illinois Street and 23rd Street. Port staff expects that 23rd Street will be a major entry to the Pier 70 Waterfront Site[2] and that relocation of the Hoedown Yard is a necessary step to attract private investment to the Waterfront Site.

The proposed Port option to purchase the Hoedown Yard is transferable, allowing the Port to transfer this purchase right to another entity, if the Port Commission so desires. As negotiations related to the Project continue, Port staff will work to evaluate potential relocation options on Port land for Hoedown Yard activities.

Not unlike the surrounding Pier 70 area, the Hoedown Yard has known contamination. PG&E has completed site investigation and human health risk assessment. The findings of this assessment indicate that arsenic is present in soil within in an approximately 20,000 sq. ft. (by approx. 5 ft. deep) area in the northwest corner of the site at concentrations that pose a potential human health risk to future construction workers (not to current or future commercial/industrial workers). All other contaminants investigated are at concentrations below levels of concern.

The San Francisco Bay Regional Water Quality Control Board ("Water Board") has approved these investigations and agrees that no remediation is warranted under current or anticipated future conditions, provided that activities at the site comply with a Site Management Plan ("SMP") and land use is restricted to commercial/industrial uses through a deed restriction.

PG&E has developed and Water Board has approved a SMP for the Hoedown Yard. The SMP specifies measures to protect workers, minimize dust, prevent contamination of stormwater, and other measures to manage potential risks from soil contamination. PG&E has also filed a deed restriction limiting future uses of the site to commercial and industrial uses.

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[2] City staff is currently negotiating the development of the 25 acre Pier 70 Waterfront Site with Forest City California, Inc.

Port environmental staff has reviewed the SMP and the deed restriction and has found that Hoedown Yard site conditions are suitable for future commercial or industrial use. If the Port Commission desires to acquire the site for residential purposes, further remedial actions (such as removal or capping of arsenic-contaminated soil) would likely be required. Port staff will continue to monitor site conditions and regulatory restrictions related to the Hoedown Yard as the proposed ZA-1 project negotiation proceeds.

Port Commission acquisition of the Hoedown Yard would be subject to review under the California Environmental Quality Act, and approval by the Mayor and the Board of Supervisors.

**Additional Public Benefits**

City staff believes that the ZA-1 project provides critical transmission reliability benefits to the City.

The proposed License is subject to the Port's Southern Waterfront Community Benefits Policy. As such, Port staff will set aside 8% of project rents to the Southern Waterfront Community Benefit Fund ("Fund"), or $46,700 - $69,800 annually for years (depending on the final license rent. The Fund is used to pay for open space and related public improvements in the Southern Waterfront.

**Project Schedule**

PG&E is pursuing the following Project schedule:

| | | |
|---|---|---|
| 1. | Initiate CPUC Application | November 2012 |
| 2. | CPUC CEQA Review | November 2012 – November 2013 |
| 3. | Resource agency permits | December 2013 – January 2014 |
| 4. | Onshore cable installation | December 2013 – May 2015 |
| 5. | Offshore cable installation | May 2015 – November 2015 |
| 6. | Operation | December 2015 |

**Recommendation and Next Steps**

Port staff recommends approval of the attached resolution which approves the Term Sheet and authorizes the Executive Director to enter into the Negotiation Agreement. If the Port Commission approves the resolution, Port staff proposes the following next steps:

- Negotiate a non-exclusive license for use of submerged Port land for the ZA-1 230 kV Embarcadero-Potrero Transmission Line with PG&E consistent with the Term Sheet;

- Review and comment on environmental analysis conducted by the CPUC regarding routes that involve Port property, in consultation with other City departments;

- Further evaluate the development potential of the Hoedown Yard, in consultation with the Port's Pier 70 development partners;

- Examine potential locations on Port property that may be suitable for the PG&E operations currently conducted at the Hoedown Yard; and

- If the CPUC process determines that the submerged alternative is the preferred project alternative, submit for Port Commission and Board of Supervisors consideration a long-term license for construction and operation of the project.

Prepared by: Brad Benson, Special Project Manager

For: Monique Moyer, Executive Director
Byron Rhett, Deputy Director
Planning & Development

Exhibits

A. PG&E Embarcadero Substation Area Map
B. PG&E Route Alternatives for Proposed ZA-1 Project
C. Term Sheet
D. Hoedown Yard Map

Exhibit A: PG&E Embarcadero Substation Area Map

Substation
Submarine Alternative
Preferred Land Route
Alternative Land Route
Existing 230 kV Transmission Line

San Francisco Port Jurisdiction
Laydown and Hoe Down Yards

Revision 11
7-24-2012

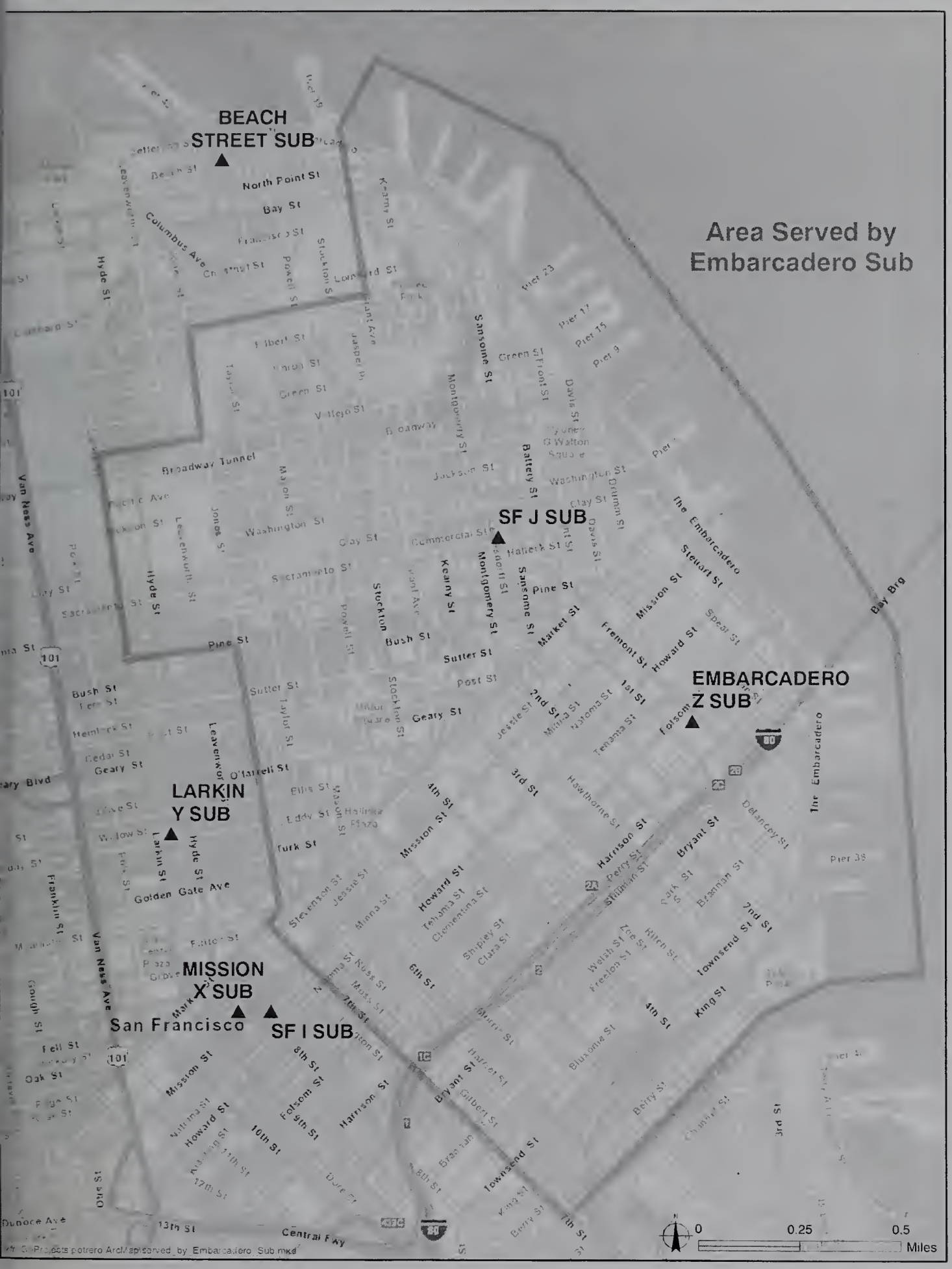
**Project Location**
*Pacific Gas and Electric Company*
*Embarcadero-Potrero 230 kV*
*Transmission Cable Project*

0 1,000 2,000 Feet

N

Scale: 1:18,000

Exhibit B: PG&E Route Alternatives for Proposed ZA-1 Project


Area Served by
Embarcadero Sub
BEACH
STREET SUB
SF J SUB
EMBARCADERO
Z SUB
LARKIN
Y SUB
MISSION
X SUB
SF I SUB
San Francisco
North Point St
Bay St
Columbus Ave
Broadway Tunnel
Van Ness Ave
Pine St
Bush St
Sutter St
Post St
Geary St
O'Farrell St
Golden Gate Ave
Mission St
Howard St
Folsom St
Harrison St
Bryant St
Townsend St
King St
Embarcadero
Bay Brg
Central Fwy
Dunnoce Ave
0
0.25
0.5
Miles

# Exhibit C: Term Sheet

**Term Sheet**

# PROPOSED EMBARCADERO-POTRERO 230 KV TRANSMISSION PROJECT

October 23, 2012

The following outline presents potential business terms for one or more licenses (collectively, the "**License**") by THE CITY AND COUNTY OF SAN FRANCISCO ACTING THROUGH THE SAN FRANCISCO PORT COMMISSION (the "**Port**") to PACIFIC GAS AND ELECTRIC COMPANY ("**PG&E**") regarding the development and construction of the proposed Embarcadero-Potrero 230 KV Transmission Project (the "**Project**").

This Term Sheet is not intended to be, and will not become, contractually binding unless and until environmental review has been completed in compliance with the California Environmental Quality Act and the parties are able and willing to execute and deliver a mutually acceptable License and related transaction documents regarding the Project. In addition, under San Francisco Charter, no officer or employee of the City and County of San Francisco (the "City") has authority to commit the City to the transaction contemplated herein unless and until the San Francisco Port Commission has approved the transaction and the San Francisco Board of Supervisors has approved the License.

## *PG&E*

- Pacific Gas and Electric Company, a subsidiary of PG&E Corporation.
- Regulated by the California Public Utilities Commission ("**CPUC**" or "**PUC**")

## *PROJECT DESCRIPTION*

- New, single circuit, 230 kV transmission line between PG&E's Embarcadero Substation and its Potrero Substation (the "**ZA-1 Line**") to increase reliability of electric service to downtown San Francisco and provide operational flexibility. The project will involve both transmission line work and substation work. Three major elements are:
    - Construct an approximately 3-mile, 230 kV submarine and underground cable route (for three cables) between PG&E's Embarcadero and Potrero Substations.
    - Terminate the new cables into a 230 kV bus (to be upgraded as part of a separate reliability project that is underway) at the Embarcadero Substation
    - Construct a new 230 kV switchyard on a portion of the former power plant site currently owned by GenOn Co adjacent to the Potrero Substation, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards via two new 230/115 kV transformers.
- Submarine Route

- The submarine cable route would run in a reinforced underground duct bank about 0.4 miles along the TransBay Cable ("TBC") alignment, but not within the TBC license area, as it exits the Potrero Switchyard and enters the Bay. It would then continue in the Bay along the general alignment and several hundred feet to the west of TBC, and then return to land about 0.2 miles from Embarcadero Substation, where it would be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling ("**HDD**").

- Total distance of Submarine Route: Approximately 2.8 miles including HDDs.

- Total Distance within Bay: approximately 2.5 miles

*PROJECT APPROVALS*

- **CPUC**: Because PG&E is a regulated utility, the Project is subject to the review and approval of the CPUC ("**CPUC Project Approval**").

- **CEQA**: CPUC approval will be conditioned upon the adoption, certification and/or approval by CPUC, as lead agency, of an environmental review pursuant to the California Environmental Quality Act, California Public Resources Code Sections 21000-21178 ("**CEQA**").

- **City**: The Project may also require encroachment or other ministerial permits from the City and County of San Francisco Department of Public Works to install facilities for the Project within portions of City streets.

- **Port**. The Project may require a Port Building Permit and encroachment permit or other ministerial permits for PG&E to install facilities within the properties and streets that are owned by the Port and/or subject to Port jurisdiction.

- **State Agencies**: The Project may also require permits from the State Water Resources Control Board, San Francisco Bay Conservation and Development Commission, the Regional Water Quality Control Board, and other resource agencies.

- **Army Corps**: The Project may also require permits from the US Army Corps of Engineers

*PROPOSED LICENSE TERMS*

- **Use**:

  - To install, maintain, operate, repair and replace, at Licensee's sole expense and risk, the ZA-1 Line, including, transmission line, ductwork, anchoring foundations and related equipment (collectively the " **ZA-1 Line Equipment**"), in the License Area (as defined below).

- In addition, PG&E will have the right to access the areas owned and controlled by the Port around and adjacent to the License Area for purposes of performing installation, maintenance, and replacement of the ZA-1 Line Equipment in the License Area.

- PG&E will have the right to license with third parties, including any PG&E affiliates, for the unused capacity of the ZA-1 Line subject to valid license approvals as may be necessary from the Port and the CPUC, which approval may be conditioned upon sharing of any revenues from such license with Port.

- **License Area:** The area (the "**License Area**") generally as depicted in **Exhibit A**; the final License Area will be more specifically determined and engineered and attached to the License. The License Area will be modified to show the location of the installation of the ZA-1 Line Equipment after construction is complete, and it will be further modified from time to time as necessary to show any significant movement in the ZA-1 Line Equipment. The final license will allow for slight movement of the ZA-1 Line Equipment in accordance with its design. The License Area will include certain portions of Port-owned properties and streets. The area of the License Area will be as follows:

  Submarine section: 33 feet (11 foot width for each cable) X 2.5 miles (13,200 ft.) = 435,600 sq. ft. This section will be divided into two zones: the inner "**Exclusive Zone**", which will be 6 feet wide (1 foot width on either side of the centerline of each cable) X 13,200 ft. = 79,200 sq. ft.; and the outer "**Compatible Use Zone**", which will be 27 feet wide (4.5 foot width extending beyond the Exclusive Zone on each side of each cable) X 13,200 ft. = 356,400 sq. ft.

  HDD portions: 33 feet (11 foot width for each cable) X 0.3 miles (1,584 sq. ft.) = 52,272 sq. ft.

  23rd St: 20 feet X 0.2 miles (1,056 ft.) = 21,120 sq. ft.

  Total: **508,992** square feet

- **Commencement**: Upon (a) issuance by the CPUC of a Notice to Proceed with construction on Port jurisdictional land, and (b) delivery of the Environmental Oversight Deposit and if applicable, the Environmental Assurances Deposit; (c) delivery of the security deposit; and (d) delivery of the first annual Initial Term License Fee.

- **Term**: 40 years with an option to renew for 26 years.

- **Initial 40-year Term Annual License Fee**: An annual license payment (the "**License Fee**") will be payable annually beginning on Commencement of the Term, and on each anniversary thereof throughout the Term. The initial License Fee will be an amount equal to the sum of the following:

  A. Annual rate of $2.25 - $3.38/sq. ft.** equal to an annual payment of $178,200 - $267,300 for the Submarine Portion, Exclusive Zone.* For informational purposes

only, assumes $50 - $75/sq. ft.** upland industrial sale value x 50% for submerged land x 9% to develop an annual rent rate

PLUS

B. Annual rate of $1.13 - $1.69/sq. ft.** equal to an annual payment of $402,732 - $604,098 for the Submarine Portion, Compatible Use Zone.* For informational purposes only, assumes $50 - $75/sq. ft.** upland industrial sale value x 25% for submerged land x 9% to develop an annual rent rate.

**PLUS**

C. $2,316 for the HDD and 23rd Street Portion, which amount equals 73,392 sq. ft. X $0.031562 (rate equal to Hunters Point – Potrero License rate)*

*The initial License Fee will be increased by 3% upon each anniversary of the Port's approval of this Term Sheet prior to Commencement of the Term.

** These numbers are subject to change based upon changes to the $50 - $75/sq. ft. assumption used to calculate them. The parties have commissioned Associated Right of Way Services from the City's appraisal pool to appraise the Hoedown Yard and to use that appraisal as the industrial upland basis for the final license fee in the Submarine segments.

The License Fee will be increased 3% on each anniversary of the Commencement of the Term, and increased on each 10th anniversary to an amount equal to the higher of (i) the then current License Fee assuming the standard 3% increase or (ii) the license fee that results from the application of the methodology used to establish the original License Fee, except (a) the then current upland industrial land value shall be established by an independent third-party appraisal based upon appraisal instructions to which both parties have agreed and (b) annual return shall be reduced from 9.0% to 7.5%.

The annual License Fee will be abated by 75% between the Commencement of the Term and the earlier of the completion of construction of the ZA-1 Line Equipment or the 4th anniversary of Commencement of the Term.

- **Renewal Term**
  - **Renewal Term License Fee**: The initial License Fee during the renewal term will be adjusted to equal the higher of (i) the then current License Fee assuming the standard 3% increase or (ii) the license fee that results from the application of the methodology used to establish the original License Fee, except (a) the then current upland industrial land value will be established by an independent third-party appraisal based upon appraisal instructions to which both parties have agreed, and (b) annual return will be reduced from 9.0% to 7.5%. The license fee will continue to be increased by 3% annually, with adjustments every 10 years, as set forth in the initial term.

- **Advance Notice**: Renewal subject to advance written request by PG&E to renew no later than two and one-half years prior to the expiration date.

- **Licensee Termination Right**: Upon 18 months' notice, together with payment of a termination payment equal to the license fee for the 12 months following the date of notice. If termination notice is revoked by PG&E, the termination payment will be applied to License Fee installment next due.

- **Security Deposit**: An amount equal to two times the projected annual License Fee of the last year of the Term (assuming 10 year adjustments do not result in a recalculation), payable upon Commencement of the Term.

- **Environmental Oversight Deposit**: $10,000 payable upon Commencement of the Term, to be used to reimburse Port for Port's costs of monitoring compliance with the License and on terms similar to the Operational License No. 14325 between Port and Transbay Cable. Every fifth year of the license, the $10,000 will be subject to CPI increase. Any remainder of the deposit shall be returned to PG&E at the conclusion of the license term, including any extension of the initial term.

- **Environmental Assurances Deposit:** Port may require PG&E to deposit additional sums to offset Port's liability for potential environmental damages as a result of the proposed license. The sums may be in the form of cash or letter of credit. The additional amount will not exceed $6 million and the application and release of the same will be similar to the procedures outlined in the Construction License No. 14324 between Port and Transbay Cable LLC.

- **Maintenance**: Licensee shall install, maintain and operate the ZA-1 Line Equipment in the License Area at all times in compliance with all applicable legal requirements. Without limiting the generality of the previous sentence, the ZA-1 Line Equipment in the License Area shall comply with all applicable safety standards, as modified from time to time, of any governing body with jurisdiction over Licensee's operations.

- **Risk Management**: The License will include City's customary insurance and indemnification provisions.

- **Non Exclusive**: The License will not be exclusive; the Port will reserve the right to grant other licenses or easements of similar or any other nature, provided, however that:

    - In the Exclusive Zone of the Submarine Section, the Port shall not license, lease or otherwise permit in writing any uses that would penetrate the surface and/or that, in PG&E opinion based upon accepted engineering practices could reasonably be expected to jeopardize the integrity or reliability of the ZA-1 Line Equipment.

    - In the Compatible Use Zone of the Submarine Section, the Port shall not license, lease or otherwise permit in writing any other underground electric lines.

- With respect to the HDDs, the Port shall not license, lease or otherwise permit in writing construction of solder piles, piers, pilings, foundations, or other permanent improvements within the License Area.

- Lateral crossings of the License Area must be approved by PG&E in its sole discretion, which approval shall not be unreasonably withheld. In the Submarine Section, if such crossings are permitted, the Port shall require that such crossings be no closer than five vertical feet from the ZA-1 Line Equipment, that the equipment crossing the License Area be equipped with thermal and mechanical protection, and that the license for the crossing infrastructure ensure that PG&E's ability to access, maintain, replace, and raise the ZA-1 equipment is not impeded.

- Other than dredging routinely performed by or on behalf of the USACE or dredging otherwise planned by the USACE, the Port shall not enter into any written agreements permitting any dredging in the Submarine Section of the License Area. Within the HDD portions of the License Area, Port may be permitted to dredge up to a depth of forty (40) feet below mean lower low water in the HDD portions of the License Area if Port reasonably determines dredging to such depth is required to support or advance maritime operations and use within Port jurisdiction, provided that in no case shall the Port dredge within 5 vertical feet of the HDD conduits. PG&E to make commercially-reasonable and technically feasible efforts to put the HDD as near to the bedrock surface as possible, and Port, in its proprietary capacity, to have an opportunity to review and approve, to the extent consistent with CPCN and other CPUC requirements, final work plans for the HDDs. Additionally, this section is subject to consultation with USACE to the extent there is any potential impact on federal shipping channels or other dredging routinely performed by or on behalf of USACE.

- The Port and PG&E will further refine the no anchoring of vessels area within the License Area. PG&E shall take all necessary measures within its control to ensure that the License Area is depicted on all official navigation maps as a "no anchoring" area.

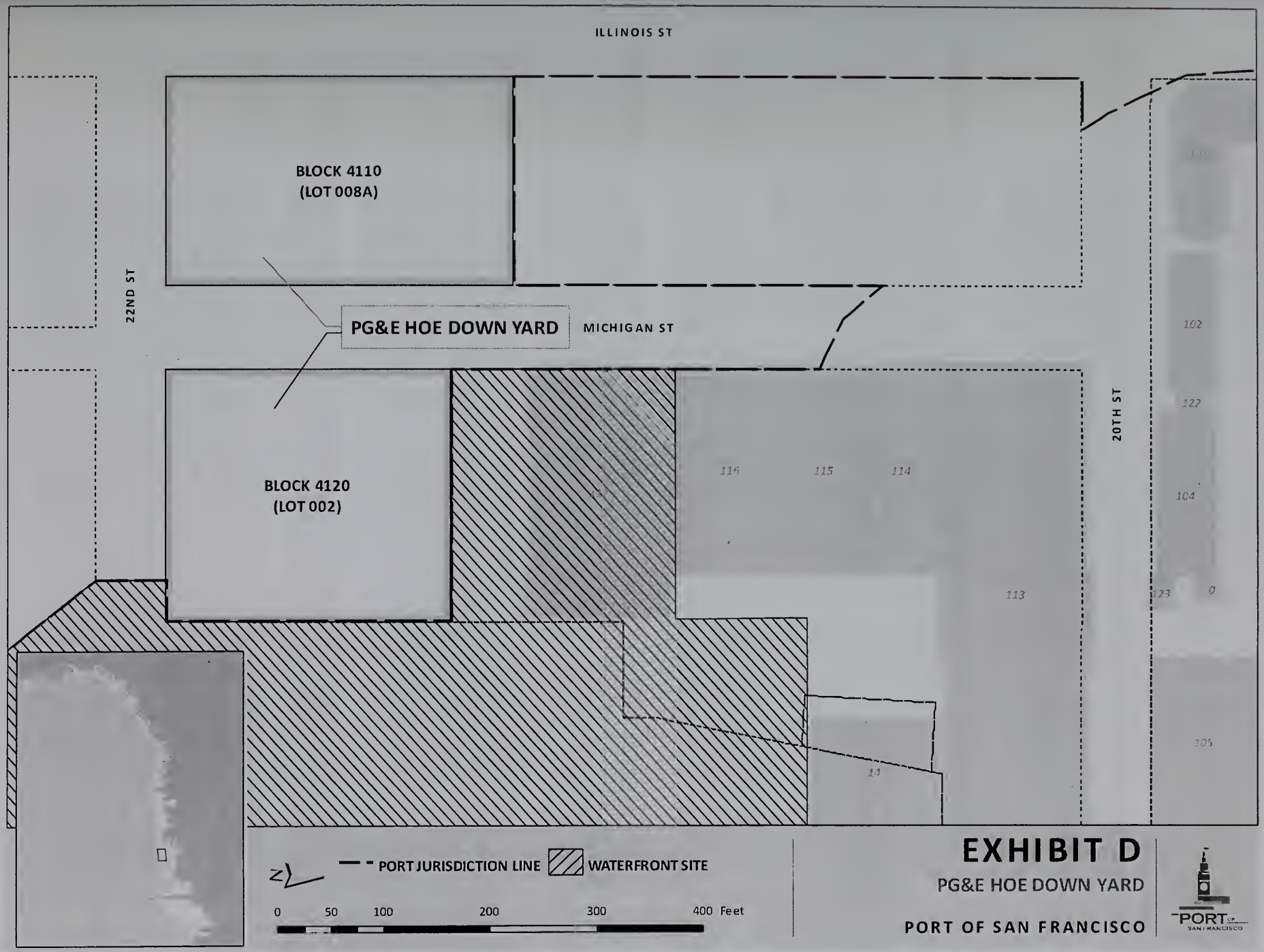
- **Removal/Relocation of the ZA-1 Line Equipment in the License Area**. PG&E to remove or relocate without expense to Port or the City the ZA-1 Line Equipment within 240 days after receipt of written notice from Port or the City, [if and when made necessary by any lawful change of grade, alignment or width of any street or right of way, or by any work to be performed under the governmental authority of the Port or the City. If (a) applicable law prohibits the relocation of the ZA-1 Line Equipment, or (b) despite PG&E's good faith efforts, a regulatory agency prohibits PG&E from removing or relocating the ZA-1 Line Equipment, or (c) the City or the Port can reasonably redesign or reroute such work at significantly less cost than the cost to PG&E to relocate or remove the ZA-1 Line Equipment, the Port and PG&E agree to negotiate in good faith to allow for the City or Port to proceed in an alternative manner acceptable to all parties, as evidenced by a writing signed by PG&E and the City or Port, as applicable, conditioned on PG&E bearing all commercially reasonable incremental costs of the

alternative (where incremental means the difference between the original conflicting design and the alternative design).

- **Public Benefits:**

Port's agreement to enter into the license for the ZA-1 Line Equipment is conditioned upon Port having an option (the "Option") to purchase PG&E's Hoedown Yard, located at the corner of 22nd St. and Illinois Avenue, at fair market value, subject to CPUC approval and other conditions agreed to separately by the parties. Port's Option may be transferred or assigned to another party in Port's discretion. Among those terms and conditions, the agreement will specify that the sale of the property is "as is" with regard to environmental condition and that the sale is contingent upon any necessary CPUC approval pursuant to Section 851 of the California Public Utilities Code.

## Exhibit D: Hoedown Yard Map




# EXHIBIT D

PG&E HOE DOWN YARD

PORT OF SAN FRANCISCO

G:\0S-SOUTHERN WATERFRONT\PIER 70\GRAPHICS\OTHER MAPS\P70_HOE-DOWN-YARD.MXD

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**
**RESOLUTION NO. 12-90**

WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and

WHEREAS, Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation, along onshore and submerged land in the Port's jurisdiction generally within the area bounded by Pier 28 ½ and portions of the shoreline at the foot of 23rd Street (the "Project"), to increase reliability of electric service to downtown San Francisco and provide operational flexibility, as further described in the staff report accompanying this resolution; and

WHEREAS, At the Port Commission's August 14, 2012 meeting, an informational presentation about the Project was made by Port staff and Port staff was directed to negotiate a term sheet for use of Port lands for the Project; and

WHEREAS, Port staff and PG&E have negotiated a term sheet, attached as Exhibit C to the staff report accompanying this resolution (the "Term Sheet"), which Term Sheet sets forth the essential terms upon which Port and PG&E will negotiate to reach agreement on the final transaction documents; and

WHEREAS, Port staff and PG&E have also negotiated the terms of a negotiation agreement ("Negotiation Agreement") on file with the Port Commission Secretary, which among other things, provides for reimbursement by PG&E to Port of Port's costs associated with the Project, as further described in the staff report accompanying this resolution and the Negotiation Agreement; and

WHEREAS, Because PG&E is a regulated utility, the Project is subject to the review and approval of the California Public Utilities Commission ("CPUC"); and

WHEREAS, The parties acknowledge that the Term Sheet is not itself a binding agreement that commits the Port or PG&E to proceed with the approval or implementation of the Project and that the Project will first undergo appropriate environmental review under the California Environmental Quality Act ("CEQA") and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, the CPUC, and other government agencies with approval rights over the Project before any entitlements and other regulatory approvals required for the Project will be considered; and now for be it

RESOLVED, That the Port Commission hereby approves the Term Sheet and the Negotiation Agreement and authorizes and directs the Executive Director of the Port, or her designee, to execute the Negotiation Agreement and work with PG&E to negotiate the terms and conditions of any license and related documents ("Transaction Documents") for use of Port lands for the Project, with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and PG&E will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Term Sheet and the Negotiation Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Term Sheet and the Negotiation Agreement contemplate and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such additions, amendments or other modifications to the Term Sheet or Negotiation Agreement; and be it further

RESOLVED, That approval of the Term Sheet and entering into the Negotiation Agreement does not commit the Port Commission or the City to approval of final Transaction Documents or implementation of the Project or grant any entitlements to PG&E, nor does approving the Term Sheet or executing the Negotiation Agreement foreclose the possibility of considering alternatives to the proposal, mitigation measures or deciding not to grant entitlement or approve or implement the Project, after conducting appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed transaction with the Port, it does not necessarily set forth all of the material terms and conditions of any final transaction documents; and, be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the relevant bodies have reviewed and considered environmental documentation prepared in compliance with the CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved final Transaction Documents for the Project.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 13, 2012.***

_____

Secretary

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director MMoyer

**SUBJECT:** Informational Presentation on the Fiscal Feasibility Analysis of Pier 70 20th Street Historic Buildings Term Sheet with Orton Development Inc. ("ODI")

**DIRECTOR'S RECOMMENDATION:** Informational Presentation

On October 9, 2012, the Port Commission endorsed a term sheet for the lease and rehabilitation of the 20th Street Historic Buildings at Pier 70[1]. The next step in review of this project is requesting that the Board of Supervisors also endorse the Term Sheet and authorize environmental review of the project by finding that the project is fiscally feasible as required under Administrative Code Chapter 29.

Fiscal feasibility review is an assessment of the public tax revenues generated and public capital funds to be invested for a proposed project. It provides policymakers the opportunity to assess if the benefits of a major project[2] warrant the public investment in it prior to the City expending the resources needed to undertake environmental review. This analysis focused on the General Fund impacts of the project. Analysis supporting the rent structure included in the Term Sheet was provided to the Port Commission to support its October 9, 2012 action.

## PROJECT SUMMARY

The purpose of this project is to rehabilitate the 20th Street Historic Buildings and make them once again a vibrant, integral part of the surrounding community. ODI will return the buildings to profitable use while maintaining their historic fabric.

**THIS PRINT COVERS CALENDAR ITEM NO. 9C**

[1]The Staff Report supporting that action is available at: http://www.sfport.com/index.aspx?page=2132
The RFP, ODI's proposal, and background information is available on the Port's website at: http://www.sfport.com/index.aspx?page=1559
[2] Projects greater than $25 million with over $1 million of public monies.

Proposed uses by building are as follows:

- Building 101 and 104, as former Bethlehem Steel and Union Ironworks office buildings will return to office use.
- The former Bethlehem steel cafeteria (in Building 101) will remain food production, while the former powerhouse (Building 102) will become a restaurant.
- The Union Ironworks Machine shop (Building 113) and surrounding warehouses (Buildings 114/115/116 and Building 14) will return to industrial and educational use as food, technology and arts production centers with ancillary office and retail.
- A limited number of caretaker residential units may be included in the project.

These buildings are in need of substantial investment. Two are unreinforced masonry buildings. All need full system replacements to provide new electrical, fire safety, phone, data, water, sewer and gas utilities and renovation to address current code requirements for structural stability, exiting, accessibility, and life safety. New roofs are required in most cases as well as remediation of asbestos, lead paint and other hazardous building conditions. The Port's 10 year Capital Plan estimates that returning these buildings to their current use would cost $109 million. Transferring this obligation to ODI and bringing these buildings back to productive use are the primary public benefits of this project.

## FISCAL ANALYSIS

Attached is a fiscal feasibility analysis prepared by Keyser Marston Associates, Inc. on the ODI project. This project will create space for businesses and those businesses and their estimated 500 workers will pay taxes to the City estimated at $920,000 a year when fully occupied. Summarized as:

| | |
|---|---|
| General Fund Revenues (exc. property taxes) | $440,000 |
| Other City Funds[3] | $140,000 |
| Property Taxes | $340,000 |
| Total | $920,000 |

The Port anticipates in the future requesting Board of Supervisors approval of a Port infrastructure financing district to reinvest some or all of new property tax revenues generated at Pier 70 to meet Pier 70 infrastructure and park requirements. The public investment in the project is limited to $1.5 million from previously budgeted Port capital funds. The project is structured to have ODI assume all operating and maintenance costs of the buildings.

[3] These include specific programs for children, library, open space, transportation and public safety needs.

The Term Sheet provides for a participation rent structure with a guaranteed minimum rent starting in 20 years. Although the Port anticipates rent earlier than 20 years, to be conservative, the fiscal feasibility analysis did not address the Port rent for this property. As presented to the Port Commission on October 9, 2012, the primary economic benefit to the Port is removing from the Port's capital backlog these buildings which currently represent $109 million of the Port's unfunded capital needs. Preliminary projections suggest Port participation rent could begin in 2021 and the Term Sheet guarantees rent to the Port no later than 2033. Finally, this project preserves some of San Francisco's most important and vulnerable historic resources and it can be a catalyst for the revitalization of Pier 70 as a whole.

## NEXT STEPS

If the Board of Supervisors endorses the Term Sheet and finds that the project is fiscally feasible and that it is prudent to commence environmental review as required under Administrative Code Chapter 29, Port staff will move forward with project review and negotiation of transaction documents for the project. Throughout this process, there will be numerous opportunities for public comment and review of the proposed project.

| | |
|---|---|
| Prepared by: | Kathleen Diohep, Manager<br>Public/Private Development Projects |
| Through: | Jonathan Stern, Assistant Deputy Director<br>Waterfront Development |
| For: | Byron Rhett, Deputy Director<br>Planning and Development |

Exhibits
A. Pier 70 Area Map
B. Keyser Marston Analysis

**Assessment of Fiscal Responsibility and Feasibility**
**Rehabilitation of 20th Street Historic Buildings, Pier 70**

*Prepared for:*
The Port of San Francisco

*Prepared by:*
Keyser Marston Associates, Inc.

November 2, 2012

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Appendix A: Term Sheet

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## EXECUTIVE SUMMARY

This report has been prepared pursuant to the requirements of Chapter 29 of the City of San Francisco's Administrative Code, which requires that the Board of Supervisors approve the fiscal feasibility of certain development projects before the project can be submitted to the City's Planning Department for environmental review. Under the provisions of Section 29.2 there are five criteria on which to evaluate a project's fiscal feasibility: 1) Direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project; 2) The cost of construction; 3) Available funding for the project; 4) The long-term operating and maintenance cost of the project; and 5) Debt load to be carried by the City department or agency.

The subject Project is the rehabilitation of the 20th Street historic buildings on Pier 70 to be undertaken by Orton Development, Inc. (ODI). A more detailed description of the Project is provided in Section 1. The Port and ODI are currently in the process of negotiating the business terms of agreements that will govern the conveyance of the properties to ODI and the rehabilitation/occupancy of the historic buildings. This analysis reflects the preliminary terms as contained in the October 3, 2012 Term Sheet, which is provided as Appendix A. While some of the terms may change before the transaction agreements are executed, it is believed the preliminary projections and terms are refined sufficiently for purposes of this analysis to assist the Board of Supervisor's in its determination of fiscal feasibility.

### A. Financial Benefits

1. ***Fiscal Benefits to the City of San Francisco.*** The rehabilitated buildings are anticipated to generate a significant annual revenue stream to the City. On-going revenues to the City directly generated by the Project include new property/possessory interest taxes, payroll taxes, utility user taxes, and sales taxes. It is estimated that on-going revenues to all City funds will total approximately $920,000 per year. Of this total, $780,000 will accrue to the City's General Fund, while $140,000 will accrue to other City Funds. General Fund property taxes account for $340,000. If it is ultimately decided to deposit property tax increment into an Infrastructure Financing District (IFD) for the broader Pier 70 improvements, annual revenues to the General Fund would total at least $440,000, with the amount of additional revenues depending on the portion of property tax increment pledged to an IFD. Creation of an IFD for Pier 70 would be subject to future Board of Supervisors action.

2. ***Financial Benefits to the Port.*** The primary financial benefit to the Port is securing a developer to rehabilitate the buildings using private funds. Since 1997 the Port has not been successful in repeated efforts to attract private investment. The Port's 10 year Capital Plan estimates that returning these buildings to their current use would cost $109 million. Without the Project, the Port would either need to use its own resources or let the buildings continue to deteriorate. Transferring this obligation to ODI and bringing these buildings back to productive use is the primary public, financial, and fiscal benefit of this project.

Additionally, the Port will receive lease revenue and parking revenue from the Project. Annual lease payments will be the greater of a minimum base rent payment or a participation rent payment driven by the performance of the Project. The minimum base rent payment obligations do not start until the 21st year of the lease (year 2033) and the preliminary performance projections indicate that participation rent will not likely commence until the year 2021. It is anticipated that lease payments to the Port will total $291 million in nominal dollars over the 66-year lease term, which amounts to an average annual payment of $400,000 in current 2012 dollars. While the lease payments are significant over the entire lease term, in the near-term the Port will not receive any lease revenue.

The Project will also generate parking revenue to the Port. For purposes of this analysis, it has been conservatively assumed that the Port will not receive any net parking revenue, after debt service on the parking construction costs and operating expenses are deducted from gross parking revenues.

3. ***Economic and Indirect Financial Benefits to the City.*** It is estimated that the Project will create approximately 500 full-time jobs, with an average annual payroll of $32 million. In addition to the direct tax benefits to be generated by the Project, the new businesses and the employees will support other businesses in San Francisco and the region through expenditures on materials, retail goods, and services. Given the relatively small scale of the Project, this analysis has not quantified the magnitude of indirect economic benefits.

The analysis of financial benefits is presented in Section 2 of this report.

B. **Cost of Construction.** The Project's development costs are anticipated to total $58.5 million, comprised of $39.5 million of direct construction costs and $19.0 million of indirect/soft costs. The costs are detailed in Section 3 of this report.

C. **Available Funding for the Project.** It is anticipated that the $58.5 million dollar project will be funded with $57 million of private funds and $1.5 million from the Port of San Francisco's capital budget. The financing plan relies on debt secured by the Project's revenues, federal historic tax credits, and equity investment by ODI. A breakdown of the private funding sources is provided in Section 3 of this report.

D. **Long-Term Project Operating and Maintenance Costs.** It is not anticipated that the City will bear the cost of any operating or maintenance costs for this Project. The Port is currently responsible for funding street maintenance services and any additional services will be funded either privately or through a portion of parking revenues to be received by the Port.

E. **Debt Load to be Carried by the City or the Port.** The public investment is limited to $1.5 million to be provided by the Port. The Port's contribution will be funded from available cash resources, which have already been approved for expenditure and are in the Port's 2010/11 Capital Budget. Therefore, the Project will not require the Port or the City to incur any debt.

## I. INTRODUCTION

This Report has been prepared pursuant to the requirements of Chapter 29 of the City's Administrative Code, which requires that the Board of Supervisors approve the fiscal feasibility of certain development projects before the project can be submitted to the City's Planning Department for environmental review. A project is subject to this requirement if : 1) the project is subject to environmental review under the California Environmental Quality Act (CEQA); and b) total project costs are estimated to exceed $25,000,000; and c) construction costs are estimated to exceed $1,000,000. Under the provisions of Section 29.2 there are five criteria to evaluate the project's fiscal feasibility, as follows:

1) Direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;
2) The cost of construction;
3) Available funding for the project;
4) The long-term operating and maintenance cost of the project; and
5) Debt load to be carried by the City department or agency.

This report evaluates the anticipated performance of the proposed rehabilitation project of the 20th Street historic buildings on Pier 70 to be undertaken by Orton Development, Inc. (ODI) relative to these five criteria. It should be noted that a conservative approach[1] has been taken in estimating the financial benefits to the City that will be generated by this Project for two reasons: 1) the performance projections will continue to be refined over the coming months; and 2) the Port's goal in pursuing this Project is to preserve the historic buildings, not to generate revenue.

The Port and ODI are currently in the process of negotiating the business terms of agreements that will govern the conveyance of the properties to ODI and the rehabilitation/occupancy of the historic buildings. This analysis reflects the preliminary terms as contained in the October 3, 2012 Term Sheet, which is provided as Appendix A. While some of the terms may change before the transaction agreements are executed, it is believed the preliminary projections and terms are refined sufficiently for purposes of this analysis to assist the Board of Supervisor's in its determination of fiscal feasibility.

### A. Project Description

The Project focuses on the rehabilitation and tenanting of nine historic structures on Pier 70. These buildings are in need of substantial investment. Several are "red-tagged" due to structural

[1] For example, the estimate of the property's assessed value reflects the inclusion of the developer's minimal tenant improvement allowance of $5 per square foot of building area, but does not include the total value of improvements to be funded by the future tenants.

problems and unusable in their current state. Two are unreinforced masonry buildings. All need full system replacements to provide new electrical, fire safety, phone, data, water, sewer and gas utilities. The buildings need to be modernized to address current code requirements for structural stability, exiting, accessibility, and life safety. New roofs are required in most cases as well as remediation of asbestos, lead paint and other hazardous building conditions. The Port's 10 year Capital Plan estimates that returning these buildings to their current use would cost $109 million. Transferring this obligation to ODI and bringing these buildings back to productive use is the primary public, financial, and fiscal benefit of this project.

As detailed below, the buildings to be rehabilitated by ODI total 315,000 square feet. The Developer will return the buildings to profitable use while maintaining their historic fabric. T As proposed, the Project will be occupied by a mix of light industrial, office, and restaurant uses. Building 101 and 104, as former Bethlehem steel and Union Ironworks office buildings will return to office use with the technological capabilities required for modern businesses. The former Bethlehem steel cafeteria (in Building 101) will remain food production, while the former powerhouse (Building 102) will become a restaurant. The Union Ironworks Machine shop (building 113) and surrounding warehouses (Buildings 114/115/116 and Building 14) will return to industrial and educational use as food technology and arts production centers, mirroring the high-quality "maker" type businesses currently thriving in the Dogpatch neighborhood, with ancillary office and retail. It is anticipated that the tenant mix will be similar in nature to that occupying the American Industrial Center.

**Table 1**

| **Proposed Development Program<br>Rehabilitation of 20th Street Historic Buildings at Pier 70** | | |
|---|---|---|
| **Building** | **Gross SF** | **Target Use** |
| 101 | 56,268 | Office |
| 102 | 8,428 | Restaurant |
| 104/5 | 42,846 | Office |
| 113 | 138,242 | Light Industrial |
| 114 | 11,722 | Light Industrial |
| 115 | 16,078 | Light Industrial |
| 116 | 26,408 | Light Industrial |
| 14 | 16,315 | Light Industrial |
| ***Total*** | ***316,307*** | |

## B. Financial Terms of the Lease and Lease Disposition and Development Agreement

The Port of San Francisco and Orton Development, Inc. (ODI) are currently negotiating the terms of a Lease and Lease Disposition and Development Agreement, which will identify each party's rights and responsibilities relative to the development of the Project. The Port and ODI have negotiated a Term Sheet that presents a conceptual agreement by the parties of the

terms to achieve the objectives specified in the Port's October 4, 2011 Request for Proposals for this site. The Term Sheet is provided as Appendix A.

In summary, under the terms of the transaction, the Port's responsibilities consist of: 1) leasing the properties to ODI for a 66-year term, commencing in 2013; 2) contributing $1.5 million to the Project's capital costs; 3) providing public parking that will be available for the Project, but not on an exclusive basis; 4) participating in the effort to develop a plan to both reuse building 102 and meet the electrical needs of the BAE ship repair facility; and 5) funding, to the extent necessary, the removal of hazardous materials in Building 102.

ODI's responsibilities consist of: 1) leasing the property from the Port; 2) rehabilitating the buildings and securing new tenants consistent with the Project Concept; 3) securing funding for all Project development costs, with the exception of the Port's $1.5 million capital contribution; 4) securing Historic Tax Credit Equity for the Project; and 5) implementing the Risk Management Plan for above ground environmental conditions.

The 66-year lease provides for the payment of either "base rent" or "participation rent", whichever is greater. The initial base rent is set at $200,000 per year and is to commence no later than the 21st year of the lease (year 2033). The base rent will be adjusted for inflation every five years and reset every 10 years. The Port will be eligible to receive Participation Rent equal to 50% of the Project's annual net cash flow after debt service once: 1) ODI's initial capital equity investment has been repaid from cash flow; and 2) ODI has received a 14% return on its initial equity investment. The Term Sheet also provides for Port participation in the net proceeds of any re-financing (50%) or sale of the leasehold (10%). This analysis did not attempt to project Port revenue from these future events.

## II. FINANCIAL BENEFITS

### A. Ongoing Fiscal Benefits to the City of San Francisco

#### *1. Ongoing General Fund Revenues*

While the primary objective of the Project is to rehabilitate the historic buildings and make them a vibrant part of the surrounding community, the Project is also anticipated to generate a significant amount of annual net revenue to the General Fund of the City and County of San Francisco. As summarized below, it is estimated that upon stabilization, the Project will generate approximately $780,000 of annual tax/fee revenue to the General Fund. Excluding property tax revenues, General Fund revenues are anticipated to total $440,000. Property tax revenues, followed by payroll tax revenues and property tax in-lieu of motor vehicle license fees, are expected to be the leading categories of General Fund revenue to be generated by the Project. The calculation of General Fund revenues is presented in Appendix Tables B-1 through B-6.

**Table 2**

| Estimated Annual General Fund Revenue Upon Stabilization | Amount | % of Total Project-Generated General Fund Revenue |
|---|---|---|
| Property Tax | $340,000 | 44% |
| Payroll Tax | $238,000 | 31% |
| Property Tax in-lieu of MVLF | $64,000 | 8% |
| Utility Users Tax | $58,000 | 8% |
| Sales Tax | $47,000 | 6% |
| Parking Tax | $12,000 | 2% |
| Other* | $17,000 | 2% |
| ***Total, Excluding Property Taxes*** | ***$440,000*** | |
| ***Total, Including Property Taxes*** | ***$780,000*** | ***100%*** |

*Business registration fees; license, permit, and franchise fees; and fines, forfeitures, and penalties.*

- ***Property/Possessory Interest Tax Revenues*** – It is estimated that property/possessory interest taxes will represent the largest single source of General Fund revenue to be generated by the Project, totaling an estimated $340,000 per year. Per the City and County of San Francisco's Controller's Office, the San Francisco General Fund receives 56.59% of the 1% property/possessory interest taxes levied on the Property. Property/possessory interest taxes are based on the incremental assessed value of development. The property's current assessed value is zero. General Fund property taxes account for $340,000. If it is ultimately decided to deposit property tax increment into an Infrastructure Financing District (IFD) for the broader Pier 70 improvements, annual revenues to the General Fund would total at least $440,000, with the amount of additional revenue depending on the portion of property tax increment pledged to an IFD. Creation of an IFD for Pier 70 would be subject to future Board of Supervisors action.

The Project's assessed value has been estimated using both a cost approach and an income approach. Under the cost approach, assessed value is conservatively based on the sum of hard/direct construction costs and the discounted value of property lease payments. Under this approach, the project's assessed value is estimated at $57.3 million. Under the income approach, assessed value is based on the capitalized value of the Project's income stream. Based on the Project's projected net operating income of $4.1 million per year, its assessed value is estimated at $63 million. The average of these two approaches is $60 million, which has been assumed for purposes of this analysis. The 1% base property tax levy is estimated to generate $600,000 per year, of which the City's General Fund is anticipated to receive $340,000.

The balance of the base 1% property tax levy ($260,000) is distributed to other special funds of the City and to other taxing agencies. The allocation to these other funds is described in a following section of this Report.

Please refer to Appendix Tables B-1 through B-4 for the calculation of net new property tax revenues.

- ***Payroll Tax Revenues*** – The second largest source of General Fund revenue to be generated by the Project will be payroll tax revenues. The City and County of San Francisco currently imposes a 1.5% payroll expense tax on employee salaries earned while working within the City and County. Payroll taxes have been estimated based on employment and average salary estimates for the Project. The number of employees has been calculated using the employee density per square foot of building area at the comparable American Industrial Center. The American Industrial Center is adjacent to the Project and includes 800,000 square feet of a mix of office and light industrial uses. Recent Dun and Bradstreet data indicate that this complex houses approximately 200 businesses with 1,200 employees. ODI's proposed tenant mix is similar to that at the AIC so this data was used to project revenues. An average salary estimate of $64,000 reflects occupational wage data published in the California Economic Development Department's 2012 Occupational Employment Survey applied to the occupational mix anticipated by ODI. The annual revenue estimate of $238,000 is believed to be conservative as it reflects an assumed 50% exemption factor to account for businesses that are excluded for a variety of reasons, such as non-profit status, and for employee working time logged outside of San Francisco. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of the payroll tax estimates contained in this report.

  A measure is on the November 2012 ballot to change the foundation of the payroll tax from payroll to gross receipts. If this measure passes, the payroll tax estimates contained in this Report can be recalculated to reflect the terms of the new ordinance but the difference in fiscal benefits of the Project from this change in taxation would not change the overall conclusions of this analysis.

- ***Property Tax In-Lieu of Motor Vehicle License Fees*** – The Project is estimated to annually generate approximately $64,000 of property taxes in-lieu of motor vehicle license fees, which is allocated to the City's General Fund. In accordance with SB 1096 and data from the California State Controller's Office, revenue from the Project is based on the marginal growth of assessed value. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of the property tax in-lieu of motor vehicle license fee revenues.

- ***Utility Users Tax Revenues*** – The City and County of San Francisco imposes a 7.5% tax on charges for certain utilities services. These include non-residential telephone, electricity, natural gas, steam, and water services, and both residential and non-residential cellular telephone services. For purposes of this analysis, the utility user's tax has been estimated based on City and County of San Francisco budget factors for FY 2011/12. The budget factors have been calculated on a per employee basis for electricity, natural gas, steam, and water taxes, and on a per service population basis for telephone services. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of utility user tax revenues.

- ***Sales Tax Revenues*** – Sales tax revenues will be generated from Project employee expenditures and restaurant sales. Employee expenditures have been estimated based on weekly urban worker spending in the vicinity of office employment centers as reported in ICSC's 2012 report, "Office-Worker Retail Spending in a Digital Age." Restaurant sales have been estimated using an assumed sales productivity level of $500 per square foot of rentable area. A portion of employee food spending has been deducted from the projection of gross restaurant sales. The City General Fund portion of sales tax is 1% of taxable sales, which is estimated to total $47,000 per year from the Project. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of sales tax revenues to be generated by the Project.

- ***Parking Tax Revenues*** – San Francisco's parking tax is 25% of the parking fee paid by the patron to the parking operator. Generally, the parking tax is already included in the posted parking rate and thus results in 20% of the patron's total parking fee being attributed to the parking tax. Of the total parking tax collected, 20% is allocated to the General Fund, and 80% to the San Francisco County Transportation Authority, as discussed below. Under the Term Sheet, the Port will be required to provide one parking space per thousand square feet of building area, or 274 parking spaces in total. For purposes of his analysis, it has been assumed that the spaces generate an average of $100 of monthly rental income, per space. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of parking tax revenues to be generated by the Project.

- ***Other Tax Revenues*** – The business registration tax is charged based on the tier of payroll taxes paid by a business. It is estimated that Project businesses will fall in the payroll tax tier requiring payment of $150 per business per year, based on the average business size at the comparable American Industrial Center, and average employee salaries discussed under

payroll taxes, above. The total number of businesses is also based on AIC employee densities and average square feet per business. Licenses, permits, and franchise fees, and fines, forfeitures, and penalties were estimated based on an extrapolation of the current per service population amount generated by San Francisco's residents and employment base. Please refer to Appendix Tables B-1, B-3 and B-5 for the calculation of other tax revenues to be generated by the Project.

## 2. *On-Going Non-General Fund Revenues*

The Project is anticipated to generate revenues to several City and County of San Francisco funds in addition to the General Fund. These include special children's, library, and open space funds; public safety funds; and Country Transportation Authority funds. The total amount of revenue expected to accrue annually to non-general funds in San Francisco is approximately $143,000. Of this, $71,000, or about half, will be allocated do the County Transportation Authority, via both sales and parking taxes. Special funds will receive $48,000, and public safety the remaining $24,000.

**Table 3**

| **Estimated Annual Other City/County Fund Revenue Upon Stabilization** | **Amount** | **% of Total Project-Generated Other Fund Revenue** |
|---|---|---|
| SF County Transportation Authority | | |
| Parking Tax | $47,000 | 33% |
| Sales Tax | $24,000 | 17% |
| Subtotal Transportation Authority | $71,000 | 50% |
| | | |
| Special Funds - Children's, Library, Open Space | $48,000 | 34% |
| Public Safety Fund | $24,000 | 17% |
| ***Total*** | ***$143,000*** | ***100%*** |

The following describes the assumptions used in generating non-General Fund revenue estimates:

- ***SF County Transportation Authority*** – This entity is expected to receive both parking tax revenue and sales tax revenue from the Project. As described above, total parking tax revenues were estimated based on a gross fee of $100 per parking space per month, 274 parking spaces, and a 20% tax on gross parking fees. The Transportation Authority receives 80% of the total parking tax.

  Transportation Authority sales taxes are based on employee spending and restaurant sales expected at the Project, and a ½ cent sales tax imposed on spending within San Francisco.

- ***Special Funds Revenue*** – Of the 1% local property tax revenue collected from the Project, 8% will be allocated to special children's, library, and open space funds, per the City and County of San Francisco's Controller's Office. The Project's assessed value was estimated using both cost and income approaches, described above.

- ***Public Safety Revenue*** – As for the Transportation Authority, a ½ cent sales tax is levied on San Francisco spending that accrues for Public Safety purposes.

## B. Financial Benefits to the Port of San Francisco

The key financial benefit to the Port is securing a developer to rehabilitate the buildings using private funds. Since 1997 the Port has not been successful in repeated efforts to attract private investment. The Port's 10 year Capital Plan estimates that returning these buildings to their current use would cost $109 million. Without the Project, the Port would either need to use its own resources or let the buildings continue to deteriorate. Transferring this obligation to ODI and bringing these buildings back to productive use is the primary public, financial, and fiscal benefit of this project.

Direct ongoing revenues from the Project to the Port will consist of lease and parking revenues.

### *1. Lease Revenues*

The 66-year lease provides for the payment of either "base rent" or "participation rent", whichever is greater. The initial base rent is set at $200,000 per year and is to commence no later than the 21st year of the lease (year 2033). The base rent will be adjusted for inflation every five years and reset every 10 years. The Port will be eligible to receive Participation Rent equal to 50% of the Project's annual net cash flow after debt service once: 1) ODI's initial capital equity investment has been repaid from cash flow; and 2) ODI has received a 14% return on its initial equity investment.

Port Staff has evaluated the economics of the Project under three performance scenarios and estimated the lease revenues that would be generated under each of the three scenarios. The three scenarios consist of: 1) a "Base Case" scenario which models the anticipated development cost and income projections; 2) a "Low Rents" scenario which reflects a 30% reduction in rental income; and 3) a "High Cost" scenario, which reflects a 28% increase in development costs.

As presented in Appendix Table B-6 under the Base Case scenario, participation lease payments are anticipated to be triggered in 2021, which is the 9th year of the lease. Under both the "Low Rents" and "High Costs" scenarios, lease payments are not anticipated to be triggered until 2033 (the 21st year of the lease) with the imposition of the minimum annual rent. Over the 66-year lease term, the Project is anticipated to generate a total of $291 million of lease payments to the Port in nominal dollars, representing a current value of $24 million. In comparison, under the High Costs scenario, lease payments are estimated to yield a current value of $16 million, which the Low Rent scenario is estimated to yield a current value of $9 million.

Given that the Port is not anticipated to receive lease revenues for several years and may not receive any lease revenues for over 20 years, lease revenues have not been included as a quantified revenue source to the Port.

### 2. *Parking Revenues*

As part of the Pier 70-wide parking plan, the Port is obligated to provide approximately 274 parking spaces for the ODI project. The spaces, however, will be available to the public and not dedicated to ODI tenants. The Port anticipates entering into an agreement with a parking operator to establish surface parking lots adjacent to the Project with costs of paving and ongoing operations funded from parking revenue. While there will be a tiered pricing structure for the spaces, it is conservatively estimated that, on average, each space will generate $100 of revenue per month, resulting in approximately $296,000 of annual gross parking revenue. While the actual net revenue to the Port is likely to be positive, for purposes of this analysis, it has been conservatively assumed that 100% of the parking revenue will be used to fund parking operating costs, street maintenance, and other city service costs generated by the Project. Therefore, net parking revenue to the Port is assumed to be nominal.

## C. Indirect Economic and Fiscal Benefits to the City of San Francisco

It is estimated that the Project will create approximately 500 full-time jobs, with an average annual payroll of $32 million. In addition to the direct tax benefits to be generated by the Project, the new businesses and the employees will support other businesses in San Francisco and the region through expenditures on materials, retail goods, and services. Given the relatively small scale of the Project, this analysis has not quantified the magnitude of indirect economic benefits.

## D. One-Time Construction Revenues to the City of San Francisco.

The construction of the Project will also generate additional, one-time revenues. A significant portion of these revenues will be impact fees, which will be used to off-set impacts on infrastructure, affordable housing, and child-care needs generated by the Project.

Additionally, the Project will generate construction payroll taxes and may generate use tax revenue from the purchase of construction materials. Given the relatively small scale of the Project, this analysis has not quantified the magnitude of construction revenues.

## E. Fiscal Benefits to Other Taxing Agencies

Other taxing agencies will receive a direct financial benefit from a portion of the Project's annual property taxes, as follows:

**Table 4**

| Non-City Taxing Agency | Percent of Base 1% Property Tax Levy | Estimated Annual Property Tax Revenues |
|---|---|---|
| San Francisco Community College District | 1.44% | $9,000 |
| San Francisco Unified School District | 7.70% | $46,000 |
| County Superintendent of Schools | 0.10% | $0 |
| Bay Area Air Quality Management District | 0.21% | $1,000 |
| Bay Area Rapid Transit District | 0.63% | $4,000 |
| Educational Revenue Augmentation Fund (ERAF) | 25.33% | $152,000 |
| Total Property Tax Revenues to Non-City Agencies | 35.41% | $212,000 |

As noted above, the Project is anticipated to generate approximately $152,000 of annual revenue to the ERAF, which is administered by the County. Pursuant to the IFD legislation specific to Pier 70, these revenues could potentially be deposited into an IFD for the broader Pier 70 improvements.

## III. COST OF CONSTRUCTION AND AVAILABLE FUNDING

### A. Cost of Construction

Under the "Base Case" scenario, the Project's development costs are anticipated to total $58.5 million, comprised of $39.5 million of direct construction costs and $19.0 million of indirect/soft costs. The anticipated development costs are detailed in Appendix Table B-2. The Port has also developed an estimate of development costs under a "high cost" scenario. Under that scenario, it is estimated that development costs will total $75.0 million.

### B. Available Funding for the Project

It is anticipated that the $58.5 million dollar project will be funded with $57 million of private funds and $1.5 million from the Port of San Francisco. Under the "high cost" scenario, the Project is anticipated to cost $75 million, with $73.5 million to be funded privately, and $1.5 million from the Port. In all cases, the Port's obligation relative to capital requirements is capped at $1.5 million. The Project will not require any capital contribution from the City of San Francisco beyond the Port's $1.5 million contribution.

**Table 5 Sources of Financing**

| | Base Case Scenario | High Cost Scenario |
|---|---|---|
| Private Debt | $44.5 million | $46.1 million |
| Historic Tax Credit Equity | $10.5 million | $13.5 million |
| ODI Equity | $2.0 million | $13.9 million |
| Port of San Francisco | $1.5 million | $1.5 million |
| Total Sources | $58.5 million | $75 million |

The Port's $1.5 million contribution will be funded from cash resources. The funds were in the Port's FY 2010/11 Capital Budget as approved by the Port Commission and the Board of Supervisors. No public debt will be required to fund the Project's development costs.

# Appendix A: Term Sheet

**20th Street Historic Buildings**
**Term Sheet**
**October 3, 2012**

As required in the Exclusive Negotiating Agreement (ENA) executed, May 17, 2012, this Term Sheet sets forth the basic terms and conditions on which the parties agree to further negotiation regarding the development concept and uses described below (the "Project") and that will be refined and set forth in more detail in the lease (the "Lease"), the lease disposition and development agreement ("LDDA") and other transaction documents between Port and Orton Development, Inc. ("ODI").

This Term Sheet is not intended to be, and will not become, contractually binding unless and until environmental review has been completed in compliance with the California Environmental Quality Act and the parties are able and willing to execute and deliver a mutually acceptable LDDA, Lease and related transaction documents regarding the Project. In addition, under San Francisco Charter, no officer or employee of the City and County of San Francisco (the "City") has authority to commit the City to the transaction contemplated herein unless and until the San Francisco Port Commission has approved the transaction and the San Francisco Board of Supervisors has approved the Lease.

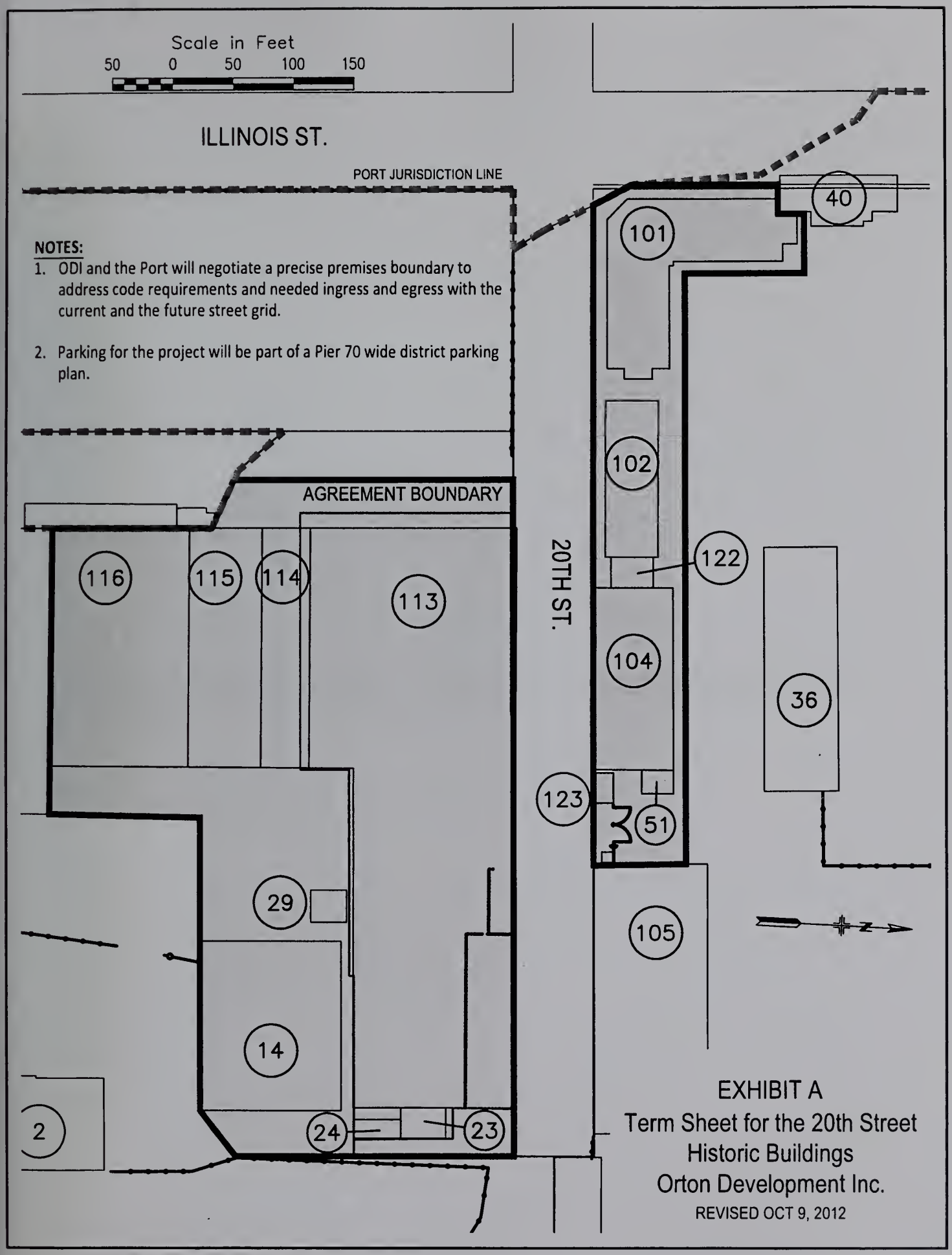
| | |
|---|---|
| Lessor | Port of San Francisco |
| Lessee/ Key Man | • Orton Development, Inc. or an affiliated entity controlled by J.R. Orton III.<br>• J.R. Orton III to remain actively involved in the project until at least project completion. |
| Premises | • Historic buildings 14, 101, 102, 104, 113, 114, 115, 116, 122, and 123, at Pier 70. See Exhibit A. ODI and the Port will negotiate a precise premises boundary to address needed ingress and egress with the current, and the future street grid.<br>• Parties anticipate entering into a license for adjacent areas. |
| Term of Lease | • 66 years. |
| Uses | • Buildings 101, 104: Office and ancillary uses;<br>• Building 102: restaurant and commercial;<br>• Buildings 113/114, 115/116, and 14: Light industrial, arts production, education, recreation, ancillary retail, and ancillary office uses. |
| As-Is Conditions | • For all buildings and site areas, Developer takes in "as-is" conditions. |
| Hazardous Materials | • Developer is responsible for implementing the Risk Management Plan, including any and all costs, regulatory, and operational responsibilities specified therein for aboveground environmental conditions. If Developer disturbs belowground soils, Developer will follow the Risk Management Plan for those areas.<br>• If previously unidentified below ground environmental conditions unrelated to the Developer's activities require additional investigation or remediation, the Port will be responsible for those costs including regulatory costs. |

| | |
|---|---|
| | • Prior to issuance of the Risk Management Plan, Developer will be responsible for compliance with existing regulatory requirements and conducting activities in manner consistent with the Remedial Action Plan (Treadwell and Rollo, May 2012).<br>• PCB transformer removal and abatement in Building 102 remains responsibility of the Port.<br>• Removal of existing PCB transformer in the northwest corner of Building 113 and abatement of all above ground hazardous materials are the responsibility of ODI. |
| "Early Work" | • ODI can propose to undertake at its cost weatherizing, cleanup or security improvements ("Early Work") under the existing access agreement terms, which include Port approval of the work scope.<br>• Approval of any scope of Early Work would include agreement on a budget for that work.<br>• Under the ENA, ODI has paid a $75,000 negotiation fee that is non-refundable if the ENA is terminated. If ODI terminates the ENA and does not execute a Lease for the project, the Port will return to ODI the documented expenditures not to exceed the agreed-to cost of any Early Work performed but no more than $75,000.<br>• If the project moves forward, Early Work costs will be included in Total Project Costs and the $75,000 negotiation fee will be applied to the lease deposit as agreed in the ENA . |
| Building 102 | • Building 102 is an active part of the electrical systems serving the BAE ship repair facility. Developer will assess existing conditions, meet with BAE to understand their needs, and recommend a solution for:<br>1. Removing electrical equipment<br>2. Establishing separate service to BAE<br>3. Establishing service to other electric uses now served from building 102 including ODI's project<br>• Developer to recommend options and provide conceptual cost estimates for the options to meet objectives (1), (2), and (3) above.<br>• Port and Developer to negotiate in the Development Agreement how to undertake and fund the work needed to re-use Building 102 for new uses and sustain electrical service to the shipyard.<br>• Cost of BAE equipment and service remains a Port or BAE responsibility. To the extent designing a new BAE service incurs third party fees, such fees shall be reimbursed by Port or BAE. |
| Total Project Cost | • "Total Project Cost" shall include Lessee's hard and soft costs such as permit, development, and impact fees, if any, construction and materials costs, subcontractor and design fees, legal and other professional fees, financing costs that are capitalized, and all project-related expenses of Lessee or Orton Development Inc. (ODI), including a proportionate share of ODI's overhead such as salaries paid by ODI for employees (other than J.R. Orton III). |

| | |
|---|---|
| | • ODI will not charge a developer fee.<br>• Parties to negotiate the level of performance or surety bond or completion guaranties in the LDDA. |
| Port Capital Contribution | • $1.5 million with an additional $250,000 grant funding from the California Cultural Equity Endowment, if available.<br>• The Port has the option to, but is not bound to, secure additional capital above $1.5 million in seismic funding to pay down the amount of Orton Equity at any time before the Orton Equity is fully repaid, subject to any finance conditions. |
| Project Debt | • Port and ODI agree to cooperate to secure the greatest amount of debt and the lowest cost third-party capital and debt as reasonably possible for the project.<br>• As soon as additional financing is reasonably supported by the project, ODI agrees to pay down its remaining equity interest and remaining equity through additional debt.<br>• ODI may propose that, once Orton Equity is re-paid, additional debt be placed on the site to the advantage of both the parties. The Port's approval of additional debt will not be unreasonably withheld.<br>• Port consent shall not be unreasonably withheld for any assignment of the lease as security for project financing or refinancing. The lease will contain mortgagee protection and related provisions reasonably satisfactory to Lessee's lender(s) and investor(s), including future amendments as may be reasonably required for such purpose. |
| Orton Equity | • Orton Equity is defined as Total Project Cost through project completion less tax credit equity, permanent debt proceeds, and Port capital contribution.<br>• Orton Equity will accrue a simple return of 14% per year. Orton Equity shall be no more than the lesser of 20% of Total Project Cost or $14 million, once permanent debt is in place to achieve the shared goal of the lowest overall cost of capital for the project.<br>• Unpaid return accumulates until paid without compounding.<br>• Re-Opener process may increase cap on Orton Equity above $14 million. |
| Orton Equity Repayment/ Participation Rent | • Participation Net Revenue is defined as project revenue (on a triple net basis or its equivalent) less reasonable unrecovered operating expenses on vacant space, appropriate reserves using standard accounting, tax credit equity payments, and debt service and related fees (on the Total Project Cost).<br>• Participation Net Revenue shall be distributed as:<br>1. To Lessee until the accumulated 14% return on Orton Equity is paid;<br>2. To Lessee to pay down outstanding Orton Equity until paid;<br>3. Split equally between Lessee and Lessor |
| Right to Pre-pay | • Port has right to pre-pay accumulated interest on Orton Equity and Orton Equity at any time, at no charge or payment of any penalty. |
| Complete | • ODI will submit a Complete Project Underwriting Package ("Project |

| | |
|---|---|
| Underwriting Package | Underwriting") with a detailed estimate of total project costs including hard and soft costs, finance costs, and expected lease rates, with a pro forma projecting ODI and Port income.<br>• Port and ODI will use this package to negotiate the LDDA. |
| Unknown Base Building Costs Found Prior to Lease Execution | After approval of the Transaction and/or execution of the development agreement, ODI can request re-opening of business terms, if it can demonstrate that due to costs of unforeseen base building conditions, the required Orton Equity for the entire project exceeds $14 million or that the project returns significantly differ from the Project Underwriting projected returns.<br>At this stage, ODI will have the right to:<br>1. Remove buildings – except Building 113/114 – from the Project<br>2. Invest additional equity into the transaction and, if so, the Base Rent will not be applicable until all Orton Equity plus the 14% return is repaid,<br>3. Renegotiate the deal – subject to returning to the Port Commission and the Board of Supervisors for approval, or<br>4. Terminate its Development Agreement without incurring a termination fee |
| Unknown Base Building Costs After Lease Execution | • Lease to include a provision to address unknown base building costs discovered during construction, including that ODI may (i) invest additional equity, in the project to address the unforeseen costs at a market rate of return to be negotiated based on the investment returns expected by real estate equity investors, but in no event more than 14% per annum, into the transaction to address the unforeseen costs and (ii) delay the start of the Base Rent. |
| Initial Base Rent | • Beginning in Year 20 after lease execution, a base rent of $200,000 (expressed in 2012$) per year will be paid even if all Orton Equity has not been repaid.<br>• If Orton Equity is repaid before year 10, Base Rent shall commence 10 years after Orton Equity is repaid.<br>• Re-opener provisions can delay the start of Base Rent. |
| Base Rent Escalation | • Base Rent shall be adjusted every 5 years but in no event decrease, based on CPI, limited to a 20% increase. |
| Base Rent Re-Sets | • Every 10 years after commencing payment of Base Rent, the Base Rent amount will be adjusted to equal the higher of (i) the then payable Base Rent or (ii) 60% of the average of the previous 5 years of participation rent paid to the Port.<br>• Any participation in refinancing or sales proceeds is not included in the five year average calculation. |
| Participation in refinancing proceeds | • If Lessee refinances, excess funds shall be applied first to Orton Equity interest and second to Orton Equity.<br>• Net proceeds after repaying debt and Orton Equity shall be split equally between Port and Orton and paid to each party at close of escrow |
| Participation in sale or assignment | • Port receives 10% of any net sales proceeds (remaining after repayment of debt, return on outstanding Orton Equity, return of Orton Equity, and Lessee's standard sales costs such as brokerage commissions and legal fees) |

| | |
|---|---|
| Parking: | • Port shall manage parking, as part of a Pier 70 wide parking plan, for the proposed project. Parking rates will be set through the Port parameter rate setting process. Consistent with the Pier 70 Master Plan, parking of one space per 1,000 square feet of building area will be provided. |
| Subleasing and Assignment | • Lessee shall have the right to sublease the premises for all uses allowed under the lease.<br>• Port shall have rights at its sole discretion over any lease assignment or change in control of ODI prior to project completion.<br>• After project completion, the lease may be assigned to any qualified purchaser, subject to Port's reasonable approval. |
| Property Management | • ODI may manage the property or use third-party management. In either case, the records and financials shall be completely transparent.<br>• In the event ODI is managing the project and the Port objects reasonably to the quality of property management, it shall put such objections in writing. ODI shall have a reasonable time to cure, no less than 30 days. In the event ODI is unable to reasonably cure in the time period, Port may request that the project be managed by a third party management and ODI shall select a reasonable established third party management company for the project. All asset and management fees will be consistent with those prevailing in the marketplace. |
| Utility and Impact fees | • To the extent due for this project, utility connection and impact fees are Lessee's responsibility. Port to reasonably cooperate with Lessee in the investigation and applicability of impact fees. |
| Infrastructure Costs | • In the future, a Master or Sub Developer(s) may replace the infrastructure in 20th Street. Lessee will bear its equitable share of costs with respect to repair of infrastructure including roadway and sidewalks. |
| Condition of Premises at the end of the lease; Capital Reserves | • The condition of the property at the end of the lease shall be as constructed, well-maintained, minus reasonable wear and tear.<br>• Mutually agreed upon reasonable reserves to meet this standard are project expenses and will be included in the operating budget. |
| Development over the course of the lease | • Lessor and Lessee are aware that a Preferred Master Plan for Pier 70 was published in 2010 addressing the complete redevelopment of Pier 70. During the course of the lease, a complete redevelopment of Pier 70 may occur.<br>• Lessor and Lessee agree to reasonably cooperate on any future master plan, agreements with other Pier 70 developers and tenants, and their implementation. |
| Standard Lease Terms | The development agreement and lease, except as negotiated above or in the Exclusive Negotiating Agreement between the Port and ODI, will address the terms and conditions of the Port's October 4, 2011, Request for Proposals for the 20th Street Historic Buildings |


Scale in Feet
50 0 50 100 150
ILLINOIS ST.
PORT JURISDICTION LINE
NOTES:
1. ODI and the Port will negotiate a precise premises boundary to address code requirements and needed ingress and egress with the current and the future street grid.
2. Parking for the project will be part of a Pier 70 wide district parking plan.
AGREEMENT BOUNDARY
20TH ST.
40
101
102
122
104
36
123
51
105
116
115
114
113
29
14
2
24
23
EXHIBIT A
Term Sheet for the 20th Street Historic Buildings
Orton Development Inc.
REVISED OCT 9, 2012

# Appendix B: Supporting Tables

TABLE B-1
Annual Recurring Net Port and City and County General Fund Revenues at Buildout
Fiscal Feasibility Analysis
Pier 70 - 20th Street Historic Buildings
Port of San Francisco *November 2, 2012*

| General Fund, City and County [1] | Amount | % |
|---|---|---|
| Property Taxes | $340,000 | 43.6% |
| Payroll Tax | $238,000 | 30.5% |
| Property Tax In-Lieu of MVLF | $64,000 | 8.2% |
| Utility Users Tax | $58,000 | 7.4% |
| Sales Tax | $47,000 | 6.0% |
| Parking Tax | $12,000 | 1.5% |
| Business Registration Fee | $12,000 | 1.5% |
| License, Permit, Franchise Fees | $4,000 | 0.5% |
| Fines, Forfeitures, Penalties | $1,000 | 0.1% |
| Total Annual General Fund Revenues | $780,000 | 100.0% |
| | | |
| Annual General Fund Expenses [2] | $0 | |
| | | |
| Net Annual General Fund Revenues | $780,000 | |
| | | |
| **Other Funds, City and County [1]** | | |
| Special Funds (Children's, Library, Open Space) | $48,000 | 34.3% |
| SF County Transportation Authority - Parking | $47,000 | 33.6% |
| Public Safety Fund | $24,000 | 17.1% |
| SF County Transportation Authority - Sales | $24,000 | 17.1% |
| Total Other Funds | $140,000 | 102.1% |
| | | |
| **Port of San Francisco** | | |
| Lease Revenues [3] | $0 | |
| Net Parking Revenues [4] | $0 | |
| Total Net Revenues | $0 | |

[1] See Table B-3.
[2] The Port is obligated to fund all maintenance costs that would traditionally be the City's responsibility.
[3] The Port is anticipated to receive lease revenue with an average annual net present value of $400,000 per year under the "Base Case" revenue projections. Given that minimum base rental payments will not commence until the 20th year and participation rents are not anticipated to start until the 9th year, this "build-out" analysis of revenues does not include any lease revenues to the Port.
[4] For purposes of this analysis, it has been conservatively assumed that 100% of the $296,000 of annual parking revenues that the Port is likely to receive will be used to fund operating costs, property maintenance costs, and City service costs.

**Table B-2**
**Estimated Development Costs**
**20th Street Historic Buildings**

*November 2, 2012*

| | Building 101 | Building 102 | Building 104 | Building 113/114 | Building 115/116 | Building 14 | Total Project |
|---|---|---|---|---|---|---|---|
| Approximate gross SQFT | 56,268 | 8,428 | 42,846 | 149,964 | 42,486 | 16,315 | 316,307 |
| % of Project Gross SQFT | 18% | 3% | 14% | 47% | 13% | 5% | 100% |
| Hard Costs Nibbi 9/21/2012 | 5,973,408 | 1,664,366 | 4,297,050 | 19,624,176 | 5,166,357 | 2,736,045 | 39,461,402 |
| Cost per sq. ft. | 106 | 197 | 100 | 131 | 122 | 168 | 125 |
| SOFT COST | | | | | | | |
| 10% Architect | 597,341 | 166,437 | 429,705 | 1,962,418 | 516,636 | 273,605 | 3,946,140 |
| 4% Developer Costs | 238,936 | 66,575 | 171,882 | 784,967 | 206,654 | 109,442 | 1,578,456 |
| 5% Contingency | 298,670 | 83,218 | 214,853 | 981,209 | 258,318 | 136,802 | 1,973,070 |
| 4% Financing/points/appraisal, etc. | 238,936 | 66,575 | 171,882 | 784,967 | 206,654 | 109,442 | 1,578,456 |
| 2% Legal | 119,468 | 33,287 | 85,941 | 392,484 | 103,327 | 54,721 | 789,228 |
| 2.8% Permits | 167,255 | 46,602 | 120,317 | 549,477 | 144,658 | 76,609 | 1,104,919 |
| 2% Environmental/Hazmat/Regulation | 119,468 | 33,287 | 85,941 | 392,484 | 103,327 | 54,721 | 789,228 |
| $5 TI Allowance $5 per sq. ft. | 281,340 | 42,140 | 214,230 | 749,820 | 212,430 | 81,575 | 1,581,535 |
| Total Soft Cost | 2,061,416 | 538,121 | 1,494,751 | 6,597,824 | 1,752,004 | 896,916 | 13,341,033 |
| | | | | | | | |
| Total | 8,034,824 | 2,202,487 | 5,791,801 | 26,222,000 | 6,918,361 | 3,632,961 | 52,802,435 |
| Cost per sq. ft. | 143 | 261 | 135 | 175 | 163 | 223 | 167 |
| ADDITIONAL COSTS | | | | | | | |
| Approximate Operating Expenses to Lease Up | 124,523 | 18,651 | 94,820 | 331,876 | 94,023 | 36,106 | 700,000 |
| Leasing Commissions | 831,000 | 102,163 | 165,731 | 638,622 | 195,703 | 75,152 | 2,008,371 |
| Construction Period Interest 5% | 451,959 | 123,890 | 325,789 | 1,474,988 | 389,158 | 204,354 | 2,970,137 |
| Total Development Costs | 9,442,306 | 2,447,191 | 6,378,141 | 28,667,486 | 7,597,245 | 3,948,573 | 58,480,943 |
| Total Development Costs psf | 168 | 290 | 149 | 191 | 179 | 242 | 185 |

***Construction Loan Assumptions**

| | |
|---|---|
| % of total hard and A&E softs | 75% |
| % out | 50% |
| Years | 3 |

Source: Port of San Francisco

TABLE B-3
**Estimated Annual City and County General Fund Revenue at Buildout**
**Fiscal Feasibility Analysis**
**Pier 70 - 20th Street Historic Buildings**
**Port of San Francisco** *November 2, 2012*

| Revenue Source | | Estimating Factor [1] | | Buildout Revenue |
|---|---|---|---|---|
| **General Fund Revenues** | | | | |
| **Property Taxes** | $60,000,000 AV [2] | 56.59% of 1% prop. tax | | $340,000 |
| **Property Tax In-Lieu of MVLF** | $60,000,000 AV [2] | $1.07 per $1,000 AV | | $64,000 |
| **Sales Tax** | | | | |
| Employee Spending | | | | |
| Non-Restaurant Spending | 495 empl [3] | $2,277 per empl | 1.00% tax | $11,269 |
| Restaurant Spending | 495 empl [3] | $1,315 per empl | 1.00% tax | $6,507 |
| | | | | $17,775 |
| Project Restaurant | | | | |
| Total Restaurant Sales | 7,695 sq ft | $500 per sq ft | 90% occpcy | $3,462,750 |
| Restaurant Sales Tax | | | 1.00% tax | $34,628 |
| (Less) Empl. Rest. Spending Tax | | 80% rest. spending [4] | | ($5,205) |
| | | | | $29,422 |
| Subtotal Sales Tax | | $4,719,753 taxable sales | 1.00% tax | $47,198 |
| **Parking Tax** | | | | |
| Parking Fees | 274 spaces [5] | $100 per sp per mo | 90% occpcy | $295,920 |
| Parking Tax | | 20% tax | 20% allcn. | $11,837 |
| **Payroll Tax** | | | | |
| Payroll | 495 empl [3] | $64,000 avg salary | 50% excl. | $15,840,000 |
| Payroll Tax | | | 1.5% tax | $237,600 |
| **Business Registration Fee** | 91 businesses | $150 per business | 90% occpcy | $12,330 |
| **Utility Users Tax** | | | | |
| Water Users Tax | 495 empl [3] | $5.04 per empl | | $2,497 |
| Gas Electric Steam Users Tax | 495 empl [3] | $82.35 per empl | | $40,761 |
| Telephone Users Tax | 165 empl [3] | $50.53 per service population | | $8,338 |
| Access Line Tax | 165 empl [3] | $41.63 per service population | | $6,870 |
| | | | | $58,465 |
| **License, Permit, Franchise Fees** | 165 empl [3] | $24.65 per service population | | $4,068 |
| **Fines, Forfeitures, Penalties** | 165 empl [5] | $7.81 per service population | | $1,289 |
| **Total General Fund Revenue** | | | | **$776,786** |

[1] See Table B-5.
[2] See Table B-4.
[3] Based on a density of 2 employees per 1,000 square feet, per information for the comparable American Industrial Center; 274,000 square feet of rentable space per project developer; and a 90% occupancy assumption. Employees are counted as equivalent to 1/3 of a resident, for purposes of service population estimates.
[4] KMA assumption.
[5] See Table B-5.

Keyser Marston Associates, Inc.
Z:\19\19067\011\Pier 70 rev calc 31-oct-2012; B3 est revenues; 11/7/2012

TABLE B-3
**Estimated Annual City and County General Fund Revenue at Buildout**
**Fiscal Feasibility Analysis**
**Pier 70 - 20th Street Historic Buildings**
**Port of San Francisco** *November 2, 2012*

| Revenue Source | | Estimating Factor [1] | | Buildout Revenue |
|---|---|---|---|---|
| **Other Fund Revenues** | | | | |
| **Special Fund Property Taxes** | $60,000,000 AV [2] | 8.00% of 1% prop. tax | | $48,000 |
| **Sales Tax** | | | | |
| Public Safety | $4,719,753 taxed sales | 0.50% taxable sales | | $23,599 |
| SF County Transportation Authority | $4,719,753 taxed sales | 0.50% taxable sales | | $23,599 |
| **SF Transp. Authority Pkg. Tax** | $295,920 pkg fees | 20% tax | 80% allcn. | $47,347 |
| **Total Other Fund Revenue** | | | | **$142,545** |

[1] See Table B-5.
[2] See Table B-4.
[3] Based on a density of 2 employees per 1,000 square feet, per information for the comparable American Industrial Center; 274,000 square feet of rentable space per project developer; and a 90% occupancy assumption. Employees are counted as equivalent to 1/3 of a resident, for purposes of service population estimates.
[4] KMA assumption.
[5] See Table B-5.

TABLE B-4
**Estimated Assessed Property Vale**
**Fiscal Feasibility Analysis**
**Pier 70 - 20th Street Historic Buildings**
**Port of San Francisco** *November 2, 2012*

| | |
|---|---|
| **Cost Approach** | |
| **Building Improvements**[1] | |
| Direct Costs | $39,460,000 |
| TI Allowance | $1,580,000 |
| Adjusted Direct Costs | $41,040,000 |
| **Land**[2] | |
| Estimated Existing Land and Bldg. Value Based on NPV of Lease Payments | |
| Base Case | $24,000,000 |
| Low Rents Case | $9,000,000 |
| High Costs Case | $16,000,000 |
| Average | $16,300,000 |
| Total Estimated Assessed Value | $57,340,000 |
| **Income Approach** | |
| Est. NOI | $4,091,000 |
| Est. Cap Rate | 6.5% |
| Estimated Value | $62,938,000 |
| **Average of Two Approaches** | $60,139,000 |
| **Rounded** | **$60,000,000** |

[1] See Table B-2.
[2] See Table B-6.

TABLE B-5
Revenue Assumptions
Fiscal Feasibility Analysis
Pier 70 - 20th Street Historic Buildings
Port of San Francisco — *November 2, 2012*

## City and County General Fund

| | |
|---|---|
| **Property Tax** [1] | |
| Property Tax Rate | 1% |
| City and County's General Fund Share of Property Tax | 56.59% |
| **Property Tax in Lieu of VLF** [2] | |
| Property Tax Based Revenue 2004-05 [3] | $109,881,177 |
| 2004-05 City of San Francisco Gross Assessed Value [3] | $103,076,295,556 |
| Property Tax in Lieu of VLF per $1,000 in AV Growth | $1.07 |
| **Sales Tax** | |
| Sales Tax Rate [4] | 1.00% |
| Employee Spending | |
| Potential Non-Restaurant Weekly Spending [5] | $45.53 |
| Weeks at Work per Year [6] | 50 |
| Potential Annual Non-Restaurant Spending | $2,277 |
| San Francisco Capture [6] | 100% |
| Potential Annual Non-Restaurant Spending per Employee | $2,277 |
| Potential Restaurant Weekly Spending [5] | $26.29 |
| Weeks at Work per Year [6] | 50 |
| Potential Annual Restaurant Spending | $1,315 |
| San Francisco Capture [6] | 100.00% |
| Potential Annual Restaurant Spending per Employee | $1,315 |
| Taxable Sales by New Restaurant | |
| Square Feet | 7,695 |
| Sales per SF [6] | $500 |
| Percent Taxable [6] | 100% |
| Occupancy Rate [6] | 90% |
| **Parking Tax** | |
| Revenue per Space per Month [7] | $100 |
| Parking Spaces per 1,000 Square Feet Building [8] | 1.0 |
| Parking Occupancy Rate [6] | 90% |
| San Francisco Parking Tax Rate [9] | 20% |
| Parking Tax Revenue Allocation to General Fund [10] | 20% |
| **Payroll Expense Tax** | |
| Average Employee Salary [11] | $64,000 |
| San Francisco Payroll Expense Tax Rate [12] | 1.5% |
| Percent Exempt Due to Non-Profit/Time spent outside SF [6] | 50% |

City and County General Fund, continued

| | |
|---|---|
| **Business Registration Tax** | |
| Average Number of Employees per Business [13] | 6 |
| San Francisco Payroll Expense Tax Rate [12] | 1.5% |
| Average Employee Salary [11] | $64,000 |
| Estimated Payroll Expense Tax per Business | $5,760 |
| Registration Fee for Businesses with Payroll Tax of $1 to $10,000 [14] | $150 |
| Project Rentable Square Feet [15] | 274,000 |
| Employees per 1,000 Square Feet [13] | 2 |
| Square Foot per Business | 3,000 |
| Businesses in Project | 91 |
| Business Occupancy Rate [6] | 90% |

| **Other General Fund Revenues [16]** | **Amount FY 2011/2012 [16]** | **Average Factor** | **Average Basis** |
|---|---|---|---|
| Utility Users Tax [17] | | | |
| Water Users Tax | $2,638,576 | $5.04 | per employee |
| Gas Electric Steam Users Tax | $43,074,751 | $82.35 | per employee |
| Telephone Users Tax | $49,886,673 | $50.53 | per service populati |
| Access Line Tax | $41,100,000 | $41.63 | per service populati |
| Licenses, Permits, and Franchise Fees | $24,336,608 | $24.65 | per service populati |
| Fines, Forfeitures, and Penalties | $7,710,036 | $7.81 | per service populati |

| | |
|---|---|
| ***2011 City/Countywide Service Population Estimates*** | |
| *Resident Population [18]* | *812,820* |
| *Employment Base [19]* | *523,100* |
| *Service Population [20]* | *987,187* |

## Other City and County Funds

| | |
|---|---|
| **Property Tax** [1] | |
| City and County Special Fund Share of Property Tax | 8.00% |
| **Sales Tax** [21] | |
| Public Safety Sales Tax Rate | 0.50% |
| SF County Transportation Authority Sales Tax Rate | 0.50% |
| **Parking Tax** | |
| SF County Transportation Authority Allocation | 80% |

[1] Per the City and County of San Francisco Controller's Office. It is assumed that no diversion of tax revenues takes place. Excludes 0.164% in tax overrides. Special Funds include children's, library, and open space funds.

[2] Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05.

[3] Values for City and County of San Francisco. California State Controller's Office.

[4] City and County of San Francisco, Office of the Treasurer and Tax Collector.

[5] Based on employee food and goods and services spending in the vicinity of the office, as reported in the ICSC report, "Office-Worker Retail Spending in a Digital Age" (2012), for urban workers.

[6] KMA assumption.

[7] Per City and County of San Francisco staff.

[8] Economic Planning Systems Pier 70 Feasibility Analysis, 2010. Amount has not been escalated to 2012, reflecting slow economic growth.

[9] The parking tax is 25 percent of the parking charge paid by the patron to the provider (operator) of the parking facility. Generally, the parking tax is already included in the posted parking rate and thus results in 20 percent of the patron's total parking charges being attributed to the parking tax. City and County of San Francisco Controller' Office.

[10] Proposition A, passed in November 2007, specified that beginning in FY 2008-09, the Parking Tax be allocated between the General Fund (20%) and MTA (80%). City and County of San Francisco Controller's Office.

[11] Based on occupations anticipated by Orton Development, Inc. and wages by occupation from the California Economic Development Department's 2012 Occupational Employment Survey. Consistent with EDD's OES average wage city-wide.

[12] San Francisco Business and Tax Regulations Code Article 12-A: Payroll Expense Tax Ordinance.

[13] Based on information for the American Industrial Center, a comparable existing business facility.

[14] San Francisco Business and Tax Regulations Code Article 12: Business Registration Fee.

[15] Developer information.

[16] These factors are based on the methodology used in the Infrastructure Financing Plan, Infrastructure Financing District No. 1 (Rincon Hill Area) updated with data for FY 2011-12 from the Mayor's Proposed Budget FY 2011-12, except for fines and forfeitures which is from the City and County of San Francisco Consolidated Budget and Annual Appropriation Ordinance, FY 2011-12 and FY 2012-13.

[17] Per San Francisco Business and Tax Regulations Code Article 10: Utility Users Tax, non-residential users pay telephone, water, gas, electric, and steam users utility taxes; residential and non-residential users pay cellular telephone and access line taxes. It has been assumed for purposes of these estimates that most residential users use cellular rather than land-line telephone service.

[18] California Department of Finance, Demographic Research Unit. Table E-5 State/County Population and Housing Estimates, 1/1/2011.

[19] Estimates by the California Department of Transportation. San Francisco County Economic Forecast.

[20] Includes resident population and one-third the San Francisco employment base.

[21] Per the report San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330: Findings of Fiscal Responsibility and Feasibility, by Economic Planning Systems in October 2012.

**Table B-6**
**Projection of Lease Payments to Port**
**Fiscal Feasibility Analysis**
**Pier 70 - 20th street Historic Buildings**
**Port of San Francisco**

***November 2, 2012***

$000

| Lease Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 21 | 66 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2033 | 2078 | Reversion |
| Base Case[1] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 29 | $ 618 | $ 683 | $ 751 | $ 821 | $ 1,460 | $ 11,482 | $ 191,367 |
| Low Rents Case[1] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 415 | $ 8,037 | $ 133,957 |
| High Costs Case[1] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 415 | $ 11,482 | $ 191,367 |

| ***Total Nominal Rent, $000*** | ***Total*** | ***Average Annual*** |
|---|---|---|
| Base Case | $291,000 | $4,400 /yr |
| Low Rents Case | $165,000 | $2,500 /yr |
| High Costs Case | $260,000 | $3,900 /yr |
| ***NPV @6%, $000*** | | |
| Base Case | $24,000 | $400 /yr |
| Low Rents Case | $9,000 | $100 /yr |
| High Costs Case | $16,000 | $200 /yr |
| ***NPV with Reversion ($000)*** | | |
| Base Case | $28,000 | $400 /yr |
| Low Rents Case | $12,000 | $200 /yr |
| High Costs Case | $20,000 | $300 /yr |

PORT OF SAN FRANCISCO

**MEMORANDUM**

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Informational presentation on the Status of the Port of San Francisco's Blue Greenway Projects

**DIRECTOR'S RECOMMENDATION:** No Action Required

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**Summary**

The Blue Greenway is a City of San Francisco project to improve and expand the public open space network along the City's central and southern waterfront, from China Basin Channel to the San Francisco southern County Line *(see Exhibit A, Blue Greenway Map).* Its focus is to define how new parks and public spaces can be created to complement and connect with existing open spaces in the industrial and mixed use area. Collectively, the Blue Greenway is intended to define how San Francisco will carry out improvements to meet waterfront open space and recreational objectives set forth by the Port's Waterfront Land Use Plan, the City's General Plan and be consistent with the Association of Bay Area Governments (ABAG) San Francisco Bay Trail and Bay Area Water Trail Plans.

The City of San Francisco's 2008 Proposition A Clean and Safe Parks General Obligation Bond (2008 Parks Bond) provided the Port with funding to take a leadership role on advancing the Blue Greenway and to conduct a community planning process for the Blue Greenway. The Planning process included citywide inter-agency collaboration to make certain that implementation of the Blue Greenway is done in a cohesive manner. The 2008 Parks GO Bond proceeds along with additional funds leveraged by the Port has allowed the Port to implement many of its Blue Greenway projects.

The Port Commission has routinely been given updates on the status of the Blue Greenway and individual projects as summarized in *Exhibit B, Blue Greenway*

**THIS PRINT COVERS CALENDAR ITEM NO. 9D**

*Presentations to Port Commission.* In addition, consistent with the promise to voters for the 2008 Clean and Safe Parks GO Bond, Port staff continue to prepare monthly reports available on the Port's web site providing the status of each of the Blue Greenway projects schedule and budget.

Since the passage of the 2008 Parks GO Bond, the Port has opened up an additional 1200 linear feet of previously inaccessible Bay shoreline, expanded its parks area by over 2 acres, closed a ¾ mile gap in the bicycle system and removed 5000 cubic tons of debris from the Bay along the Blue Greenway. Within the next few years, we anticipate adding an additional 5 acres of new parkland, an additional 1500 linear feet of access to the bay shoreline, and removal of approximately 25,000 square feet of pile supported fill from the Bay.

This staff report will provide a brief summary of the status of each of the Port's Blue Greenway projects.

**Project Updates**

The following briefly describes the status of each of the Port's current Blue Greenway projects that are either constructed or in the design or planning phase.

Blue Greenway Planning and Design Guidelines - *Estimated Completion: December 2012*
The Planning and Design Guidelines are the guide that the Port will use to guide the implementation of projects within the Port's jurisdiction. It is also being utilized by other City agencies to guide the development of the Blue Greenway that is not within the jurisdiction of the Port. The Port is finalizing the Planning and Design Guidelines based upon the public comments received and anticipates finalizing them by December 2012.

Blue Greenway Signage and Way-finding – *Estimated Completion: August 2013*
Through the Blue Greenway Planning and Design guidelines process, the Port developed a Concept plan for a way-finding system along the Blue Greenway. The Port has retained Creegan and D'Angelo/FE Jordan with Kate Keating and Associates to complete the detail design of the signage program. The Port anticipates installation of 10 signs between Mission Creek and Heron's Head Park by August of 2013. The design allows other City agencies to duplicate the signs off Port property and has been designed to allow portions of the design to be utilized on the northern waterfront should it be deemed appropriate.

Blue Greenway Public Art – *Estimated Completion: Late 2013 and Early 2014*
Public Art is being funded through two sources along the Blue Greenway, including through the San Francisco Arts Commission (SFAC) Art Enrichment Program and from the Port's Southern Waterfront Beautification Funds. The Port has retained the SFAC to assist with project delivery on three initial projects. For the Pier 92 Grain Silos, the SFAC issued a call for qualifications and a jury selected 4 artists to develop concepts for this project, the four artists include: Laura Haddad, Benjamin Ball, Rigo 23 and Cameron McNall. Proposals are due in late December and will be displayed for public

review and comment in January. The panel will reconvene and select an artist to execute the proposal. It is anticipated that the project will be installed in late 2013.

The other two public art projects include art as a component of the *Bayview Gateway* and within the new *Heron's Head Park* improvements as further described below, these projects will likely be installed in early 2014.

Mission Bay - Bayfront Park Shoreline – *Completed February 2012*
In February of 2012, the Port completed and opened up 1,200 linear feet of shoreline previously inaccessible to the public. The project removed approximately 5000 cubic tons of debris from the Bay, improving the appearance and conditions of the shoreline edge. In addition, the port installed a temporary pathway, some benches and waste receptacles, until which time Bayfront Park is constructed as a part of the Mission Bay Project. The project was delivered under budget allowing approximately $400,000 to be utilized on other Blue Greenway projects.

Crane Cove Park- Pier 70 - *Estimated Completion of an initial phase: mid 2015*
In June and July of this year the Port hosted two community meetings to review two Alternative Park Concept Plans. Public comments on the Concepts were received at the workshops and through an online survey. A summary overview of the comments received is included in *Exhibit C - Crane Cove Park Public Comments.*

In December and January a draft Concept Plan, Phasing Plan and Preliminary Cost estimate will be presented for review to the Port Commission, community and other regulatory partners. It is anticipated that a final Park Plan and phasing strategy will be completed in the spring of 2013 and detail design of an initial phase will begin in the summer of 2013. Construction of an initial phase of the park will likely occur in mid-2014. (www.sfport.com/cranecovepark)

Tulare Park- Islais Creek North (Illinois to Third Street) – *Estimated Completion: 2013*
Tulare Park is a small shoreline open space originally created in the early 1970's, the park is being redesigned to be compliant with the Americans with Disabilities Act. The project is being funded through a combination of 2008 Parks GO Bond funds and a Grant from the State of California Resource Agency. DPW has completed 30% of the detail design and it is anticipated the design will be completed by December 2012 and construction will begin in early 2013.

Copra Crane – Pier 84 – Islais Creek- Estimated Completion: Late 2013
Port staff continues to work with the Copra Crane Labor Landmark Association and the International Longshoreman's & Warehouse Union on the rehabilitation of the Copra Crane as a Labor Landmark. In September of 2011, the Port working with the San Francisco Municipal Transportation Authority, removed the Copra Crane from its platform. Concern about the crane's potential collapse from nearby pile driving required the Port and SFMTA to take the emergency action to remove it from the Creek. Port staff, working with the State Coastal Conservancy and San Francisco Bay Conservation Development Commission has applied for a grant to restore the Copra Crane to its original location and to remove the former Pier 84 wharf structure. These two projects will improve the existing and planned public access along the shoreline edge, improve

recreational boating navigation in the creek and improve the visual and environmental conditions of the area. If awarded, the Port will begin the design process in January 2013 and reinstall the crane and remove the wharf area in late 2013.

Bayview Gateway - Islais Creek South (Illinois to Third Street) – *Estimated Completion: 2013*
The Bayview Gateway Open space project is an expansion and complete redesign of the area bounded by Islais Creek on the north, Third Street on the west, Illinois Street on the east and Cargo Way on the south. The design concept went through an in depth review process with the Port Commission, Southern Waterfront Advisory Group and many neighborhood and open space stakeholders. A component of the park design includes the design and installation of a permanent public art piece at the corner of Third and Cargo Way. Additionally, seating, plantings, pathways and site interpretation about the site's natural and cultural history will be displayed throughout the open space. The San Francisco Department of Public Works (DPW) has completed 30% of the detail design and anticipates the design will be completed by December 2012, allowing construction to begin in early 2013.

Cargo Way Bicycle Lanes - *Completed: August 2012*
In 2010 the Port applied for and received an $185,000 grant from the Metropolitan Transportation Commission and a $70,000 grant from the State Coastal Conservancy through the Association of Bay Area Governments Bay Trail Program. In Addition, the Port allocated $125,000 of its Southern Waterfront Beautification funds and staff time and the SFMTA allocated $51,000 to help construct the City of San Francisco's first "cycle track" a protected bi-directional bicycle facility. The project closes a ¾ mile gap in the Blue Greenway and included the first of its kind (in San Francisco) bicycle priority signaling for cyclist. This project illustrates a creative solution to accommodating multiple modes of traffic in an industrial setting. The project was completed in August of 2012 and has been met with positive feedback from all users.

Heron's Head Park Expansion and Improvements - *Completed: September 2012*
Improving the entrance and expanding Heron's Head Park to offer a larger variety of uses was a project prioritized and funded by the 2008 Parks GO Bond. The Port working with the community and the Department of Public Works Landscape Architects developed a design that met the variety of stakeholder objectives. Improvements included: new pathways, picnic and barbeque areas, a multi-use meadow, off leash dog run, composting restrooms, drinking fountains, a new park sign, waste and recycling containers, and a utility court, parking area, solar lighting and reconstruction of the pathway in the existing park. The Port is working with the Art's Commission to create a permanent piece of public art to be installed in late 2013. The new park area opened in mid- September and is being utilized and appreciated by a variety of stakeholders.

**Next Steps**

The Port will continue to work with its stakeholders and partners to implement the variety of Blue Greenway improvements within its jurisdiction and support the efforts of the other City agencies working on their projects. In addition we will continue to seek additional funds required to complete the Port's portions of the Blue Greenway.

Monthly reports for each of the 2008 GO Bond projects for the Blue Greenway are available on the Port's web site.

Prepared by: David Beaupre
Senior Waterfront Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

Exhibit A – Blue Greenway Map
Exhibit B – Blue Greenway Presentations to Port Commission
Exhibit C – Crane Cover Park Public Comments

**Exhibit A. Blue Greenway Map**

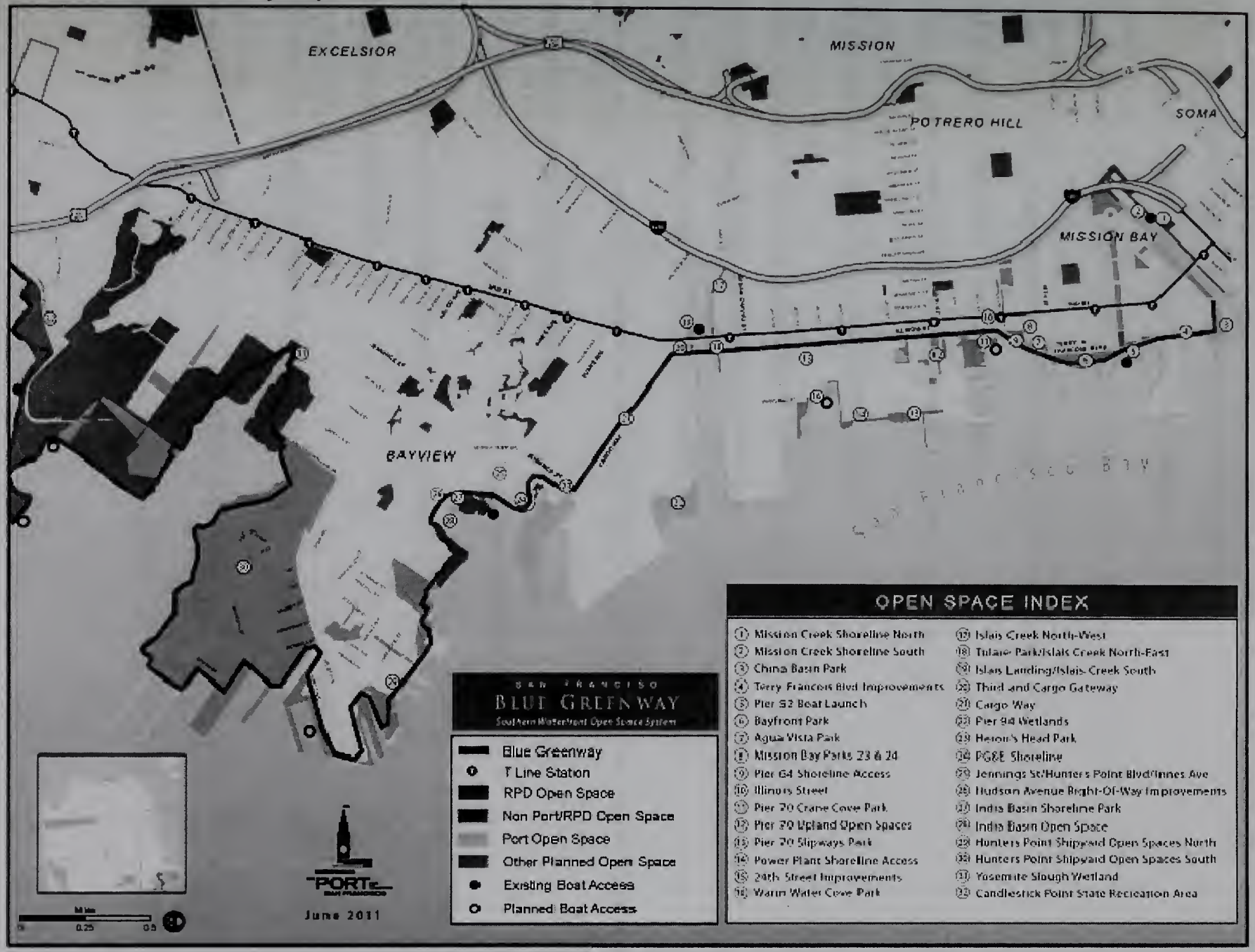

**Exhibit B**
**List of Blue Greenway Presentations to Port Commission**
(Between November, 2008 – July 2011)

**2008 Proposition A General Obligation Bond Status Report**
January 11, 2011
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=492

February 9, 2010
http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%207A%20GO%20Bond%20Update.pdf

September 8, 2009
http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2009/Item%2012A%20Gen%20Ob%20Bond.pdf

**Blue Greenway Planning & Design Guidelines**
July 12, 2011
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1917

August 19, 2010
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=46

February 10, 2009
http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2009/Item%209a%20Blue%20Greenway.pdf

**Heron's Head Park Entrance Improvement Project**
May 5, 2011
http://www.sf-port.org/modules/ShowDocument.aspx?documentid=1391

May 10, 2010
http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%2010A%20Heron%27s%20Head%20Park%20Concept%20Design%20Approval.pdf

**Cargo Way Bicycle Lane Improvements**
July 12, 2011
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1917

September 14, 2011
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=70

**Crane Cove Park Project**

May 29, 2012
http://www.sfport.com/modules/showdocument.aspx?documentid=4170

June 9, 2011
http://www.sf-port.org/Modules/ShowDocument.aspx?documentid=1783

December 14, 2010
http://www.sfport.com/Modules/ShowDocument.aspx?documentid=340

**Bayfront Park Shoreline**

June 9, 2011
http://www.sf-port.org/Modules/ShowDocument.aspx?documentid=1787

April 21, 2011
http://sfport.com/Modules/ShowDocument.aspx?documentid=1326

March 9, 2010
http://38.106.4.220/ftp/uploadedfiles/meetings/supporting/2010/Item%2012A%20Concept%20Design%20Approval%20Mission%20Bay%20Shoreline%20Protection.pdf

April 28, 2009
http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2009/Item%2010A%20Mission%20Bay%20Shoreline%20Proj%20Auth%20for%20Award%20Engin%20Design.pdf

January 7, 2009
http://38.106.4.220/ftp/uploadedfiles/meetings/supporting/2009/Item%2012a%20RFP%20Mission%20Bay%20Shoreline%20Protection.pdf

**Exhibit C:**
**Summarized Comments on Crane Cove Park Alternative Concepts**

The following briefly summarizes comments received on the Crane Cove Park Alternative Concepts presented at the June and July 2012 public workshops and comments received via e-mail or an online survey. The comments are generally organized by commonality of those received. The following is not a comprehensive list of all comments received, but is a summary of issues that were raised by a multiple respondents.

Alternative Concept Themes

Two alternatives were presented Alternative 1: Lines and Existing Traces (Line and Traces) focusing on the resources as left from the World War II era and Alternative 2: Patches and Historic Uses (Patches and Uses) which references the various eras of the site.

- In general there seem to be a preference for the adaptive reuse of slipway 4 in Lines and Existing Traces.
- The shoreline treatment of Patches and Historic Uses was preferred.
- Some felt the concept presented in Patches and Uses while interesting may be too abstract for the user to understand.
- Both concepts captured the goal of celebrating and interpreting the site history.
- There was a preference of the grading concept (filling) for access from Illinois Street as presented in Patches and Uses.

Program of Uses

- There was strong support for a human powered boating access.
- There was a desire for multi-functional spaces, including multi-purpose green spaces and hardscapes that have flexibility for special events or casual gathering.
- There is a desire to provide a variety of programs that attract a diverse set of users (places for children and the elderly) active and passive, but not active recreation (no ball fields or sports courts).
- The park should have interpretation about the site and all of Pier 70.

Adaptive Reuse of Slipway 4

- There was a preference for the "Keel Park" concept that utilized keel blocks and cribbage to reinterpret it for a park function, such as seating, gathering and programmed events.
- The slipway area should be designed to allow flexibility in its programming, but at the same time recognize its original use and function through interpretation.
- The reuse of ship building materials for functional park uses was appreciated, but should be simplified, do not over program the space with too many different objects or remnants.
- There was a divided response regarding the location of the stabilized cranes, some preferred them being together, others like the approach of splitting them up.

Human Powered Boating Access

- There was a preference for the concept of an "urban beach" type of landing area as presented in Patches and Uses
- Utilizing Slipway 4 would be acceptable and could potentially be an interim solution
- There is a desire for boat storage for human powered boats
- There is a need to have auto drop off areas for human powered boaters and if possible parking
- There was s desire for either a club or commercial operator to manage the human powered boating facilities

Boat Yard Relocation

The Patches and Traces Concept considered moving the existing SF Boat Works boat repair yard (next to the Ramp Restaurant), currently located at the terminus of Mariposa Street on Terry Francois Boulevard to the former Slipways 1 and 2 within the current park area near the ship repair operations.

- There were mixed comments regarding the moving concept, some liked the opportunity it created to better connect Crane Cove Park to the Mission Bay Parks, others had concerns about the cost of moving the facility.
- Some felt that we should leave the option to move the use in the future, but not prioritize it in the near future.

19th Street Design

Two alternative options were considered for the design of 19th Street, one was to raise the grade and fill the area near 19th street and the other was to create a bridge so that a person could pass under 19th Street from the park to the future development area.

- The preferred option was to create a new 19th street on fill rather than create a bridge.
- Concerns were raised about safety and security under a bridge.

Plantings

- It was recommended that where possible the plant material should be native California plants appropriate for a coastal area.
- Plant material should be selected to minimize the need for irrigation and maintenance

Adjacent Development Parcels

While the focus of the workshops were on the Alternative Concepts for Crane Cove Park, some of the participants raised questions about the planned adjacent development parcels along Illinois Street. Comments received included:

- Why are the parcels located next to the park, can they be relocated or removed?
- What are the heights of future buildings on the development parcels?
- There was a preference for the Patches and Uses Concept that moved a development parcel located between 18th and 19th Street to a site to the north (At the existing Boat Repair yard).

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Request for Authorization to Award Master Contracts to three firms: Parsons Brinkerhoff/Structus Joint Venture, Gerwick/SDE Joint Venture, and Creegan+D'Angelo/AGS Joint Venture for As-Needed Engineering and Related Professional Services, Each in the Amount of $1.5 Million, Totaling $4.5 Million

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

## EXECUTIVE SUMMARY

Pursuant to a competitive Request for Qualifications (RFQ) process which the Port Commission approved, Port staff requests Port Commission authorization to enter into three master contracts for as-needed engineering and related professional services. Each master contract, to be awarded to the three firms ranked highest through the RFQ process, will have a term of three years, with an extension option of one year, and a not to exceed amount of $1.5 million.

## INTRODUCTION

The Port Commission, at its March 13, 2012 meeting, authorized staff to issue a Request for Qualifications (RFQ) for As-Needed Engineering and Related Professional Services (Resolution No. 12-21). The RFQ solicited responses from qualified firms to enter into master contracts for as-needed professional services over a three-year period, with a one-year option and an amount not to exceed $1.5 million each.

The three firms which scored highest during the RFQ process are 1) Creegan+D'Angelo/AGS JV, 2) Gerwick/SDE J/V, and 3) Parsons Brinckerhoff/Structus J/V. Port staff requests authorization to enter into a contract with each of these three firms.

**THIS PRINT COVERS CALENDAR ITEM NO. 10A**

## BACKGROUND

Requirement for As-Needed Contracts

The nature of the Port's aging infrastructure and deferred maintenance results in many unanticipated projects that require immediate attention. The timing for meeting these urgent project needs makes it necessary to contract with engineering consulting teams on an as-needed basis, to provide engineering and related professional services on short notice. In addition, there are times when the Port projects demand highly specialized expertise that does not exist with existing personnel resources due to the limited need for such expertise. The contracting requirements of the City make it impractical to rely on formal bids for every contract or to hire temporary staff to perform these tasks. Thus, as-needed contracts provide the most cost-effective procurement method to meet these service needs.

Existing Port As-Needed Contracts

The Port currently has three as-needed engineering and related professional services contracts, each effective from July 1, 2009 to June 30, 2013, and each with an individual not to exceed amount of $1.5 million. These contracts are with: 1) Creegan + D'Angelo/F.E. Jordan, 2) URS/AGS, and 3) GHD (previous known as Winzler Kelly/Structural Design Engineers).

Although the three existing as-needed engineering and related professional services contracts will not expire until June 30, 2013, no new service orders can be issued as part of these contracts after June 30, 2012 because, pursuant to San Francisco Administrative Code Section 6.64, all new service orders must be issued within three years of the contract's effective date.

## SELECTION PROCESS

Subsequent to Port Commission authorization at its March 13, 2012 meeting to issue the RFQ, Port staff secured Civil Service Commission approval May 7, 2012. The San Francisco Human Rights Commission[1] staff reviewed the scope of work described in the RFQ and set a Local Business Enterprise goal of 21%. The RFQ was issued on June 13, 2012, and proposals were received on July 7, 2012.

The Port received seven proposals, two of which were deemed not to meet the minimum qualifications established in the RFQ. These two proposers were notified of their failure to meet the minimum qualification of the RFQ, and after the Port did not receive a protest within the requisite time period, the following five firms were advanced to the evaluation phase:

1. AECOM
2. Creegan+D'Angelo/AGS JV,
3. Gerwick/SDE J/V

[1] As of July 28, 2012 responsibilities for Equal Benefits Ordinance compliance Chapter 12B of the Administrative Code and the Local Business Enterprise Program Chapter 14B compliance was transferred from the Human Rights Commission (HRC) to the Contract Monitoring Division (CMD) of the San Francisco General Services Agency. For clarity purposes this report refers to HRC to be consistent with current contract nomenclature. In the future this will change as the City completes the transition of responsibility from HRC to CMD.

4. Parsons Brinckerhoff/Structus J/V
5. Tmad Taylor & Gains

A three-member selection committee composed of a structural engineer from the Port's engineering staff, a structural engineer from the San Francisco Public Utilities Commission and a structural engineer from the Department of Public Works, was empaneled to review, score and conduct the interviews. Both phases of the selection process were evaluated using the following criteria: 1) technical approach; 2) relevant team experience; 3) staff qualifications and 4) team organization. The written submittal phase represented 50% of the total score and the interview represented 50% of the total score.

In order to proceed to the interview phase of the competitive selection process, a team had to receive a minimum of 75 out of 100 points on the written proposal. Based on the written scores, all five teams were invited for interview. Staff conducted interviews on August 29, 2012 during which consultant teams responded to a series of questions and made a presentation of their qualifications.

The scores from the evaluation of the written proposals were added to the scores from the interviews as well as any HRC credits to establish a ranked list. HRC staff reviewed the scores and validated the final ranking (Exhibit 1). As shown in the Table below, the top three ranked firms were Parsons Brinckerhoff/Structus J/V, Gerwick/SDE J/V and Creegan+D'Angelo/AGS JV.

| | Team | Submittal Score | HRC Bonus | Interview Score | HRC Bonus | Total |
|---|---|---|---|---|---|---|
| 1 | **Parsons Brinkerhoff/Structus** | 88.7 | 6.7 | 89.0 | 6.7 | 191.0 |
| 2 | **Gerwick/SDE JV** | 87.0 | 6.5 | 89.7 | 6.7 | 189.9 |
| 3 | **Creegan+D'Angelo / AGS** | 86.0 | 6.5 | 86.3 | 6.5 | 185.3 |
| 4 | **AECOM** | 84.3 | 0.0 | 80.3 | 0.0 | 164.7 |
| 5 | **TTG** | 81.3 | 0.0 | 76.0 | 0.0 | 157.3 |

## PROPOSED TERMS

Each of the proposed master contracts will have a three year term, with an option by Port to extend them up to an additional year. Each of the three master contracts will have a not to exceed limit of $1.5 million over the life of the contract.

For the existing as-needed engineering and professional services contracts, the Port Commission authorized staff to execute Contract Service Orders up to $200,000 without additional Port Commission approval. Port staff is requesting that the Port Commission approve the same protocol for these new contracts.[2]

[2] Under the present policy (Port Commission Resolution 10-60), CSO are issued under the Executive Director's delegated authority. The $200,000 dollar limit is also consistent with provisions of the San Francisco Administrative Code Section 6.64.

Local Business Enterprise (LBE) Subcontracting Goal
The Port's Human Rights Commission Contract Compliance Officer established a 21% LBE subcontracting goal for these proposed contracts. In order to be eligible for contract award, each firm responding to the RFQ must commit to meet the 21% LBE subcontracting goal and demonstrate a good faith effort to meet the stated goal. In addition, firms who competed for the RFQ need to demonstrate non-discrimination in their selection of subcontractors.

Assignment/Scope of Work
Due to the nature of as-needed services, it is not feasible to define a specific scope of work in advance. The specific scopes of work will vary with differing project needs. The type of project activities and facility work anticipated under this contract includes (but is not limited to) dredging, bridges, harbors, pilings (marine and land based) seawalls/wharfs, general utilities, security enhancements, and renovation design work. In addition, contractors may also be requested to provide engineering cost estimates, development of specifications, peer reviews and second opinions.

As with the prior as-needed engineering contracts, Port Project Managers will be able to utilize these as-needed contractors though a variety selection methods. These include direct solicitation of a particular team all the way up to the development of informal Requests for Proposals (RFP) that will be issued to all of the teams. The method chosen will depend on the scope of the project and the urgency of the project. The Port Project Manager will choose the team whose proposal represents the best value and qualifications for the specific project. After negotiating a reasonable fee, staff will issue a Contract Service Order (CSO) to the selected firm and a notice to proceed will be issued to commence work under the Port Project Manager's oversight.

**FUNDING**
Funding for these services will be allocated on an annual basis through either the Port operating budget or capital budget. Some services may be funded through the proceeds of General Obligation or Port Revenue Bonds. Funding for each CSO will be identified prior to requesting CSO proposals from the as-needed contractors.

**SUMMARY**
The Port's existing as-needed contracts for engineering and related professional services contracts are scheduled to expire on June 30, 2013, and further services will be needed thereafter. Port staff request Port Commission authorization to enter into master contracts for as-needed engineering and related professional services with each of the three highest scoring firms following a competitive selection process.

Prepared by: Andres Acevedo, Contracts Manager

For: Elaine Forbes, Deputy Director
Finance & Administration and
Ed Byrne, Chief Harbor Engineer

Attachments:
Exhibit 1: Contract Monitoring Division (HRC) 14B Compliance Letter

**PORT COMMISSION**
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 12-91**

WHEREAS, The Port of San Francisco's Engineering Division must often respond to requests for essential services that require resources beyond those available to the Port and other City departments; and

WHEREAS, The Port is anticipating an increase in the need for engineering and related professional services based upon the requirements of the Port's Ten Year Capital Plan; and

WHEREAS, Port staff has managed engineering resource demands through three existing "as-needed" engineering and related professional services contracts to augment staffing of important projects; and

WHEREAS, The Port's existing as-needed engineering and related professional services contracts have provided a timely and cost-effective vehicle for the provision of engineering and professional services, but pursuant to San Francisco Administrative Code Section 6.64, no new service orders can be issued as part of such contracts after June 30, 2012 because all new service orders must be issued within three years of the contract's award, such contracts are scheduled to expire June 30, 2013, and further services are needed thereafter; and

WHEREAS, On March 13, 2012, through Resolution 12-21, the Port Commission authorized Port staff to issue a Request for Qualifications (RFQ) for As-Needed Engineering and Related Professional Services and Port staff obtained approval from the Civil Service Commission on May 7, 2012, authorizing the Port to contract out engineering and related professional services on an as-needed basis; and

WHEREAS, Following staff's issuance of the RFQ dated June 13, 2012, Port received submittals from five respondents who met the minimum qualifications established in the RFQ and the evaluation committee ranked the five respondents based upon the raw written submittals and interview scores; and

WHEREAS, Parsons Brinkerhoff/Structus Joint Venture, Gerwick/SDE Joint Venture, and Creegan+D'Angelo/AGS Joint Venture were the three highest-ranked respondents, Port staff wish to enter into master contracts with these three respondents for as-needed engineering and related professional services to provide timely and cost-effective professional services on Port projects; now, therefore, be it

RESOLVED, That the San Francisco Port Commission hereby authorizes staff to award and enter into master contracts in such form as approved by the City Attorney's Office, with each of the following three highest-ranked respondents to the RFQ: Parsons Brinkerhoff/ Structus Joint Venture, Gerwick/SDE Joint Venture, and Creegan+D'Angelo/AGS Joint Venture; and, be it further

RESOLVED, That the Port Commission hereby authorizes staff to execute such master contracts in an initial not to exceed limit of $1,500,000 each, for a term not to exceed three (3) years, with the Port reserving the option to renew each contract for one additional year beyond the initial term; and, be it further

RESOLVED, That the Port Commission hereby authorizes staff to issue Contract Service Orders (CSOs) under each such master contract directing consultant teams to perform work on specific projects; provided that CSOs under each master contract shall not exceed $200,000 cumulatively for any single public works project, without the Executive Director's written determination establishing the urgency of the work and justification specified in Administrative Code Section 6.64, and provided that no CSOs shall individually or cumulatively exceed $500,000 without further Port Commission authorization.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 13, 2012.***

_____

Secretary

# GENERAL SERVICES AGENCY
# CONTRACT MONITORING DIVISION

Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

Alaric Degrafinried, Acting Manager
Veronica Ng, Acting Manager

September 17, 2012

To: Andres Acevedo

From: Finbarr Jewell
Contract Compliance Officer
Contract Monitoring Division

Re: RFQ- As Needed Engineering and Related Services

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The Contract Monitoring Division (CMD) has reviewed the five short-listed consultant proposals the Port previously determined met the minimum qualifications. The qualifications were established in the RFP and the HRC concluded that all proposers satisfied the City's pre-award 14B requirements.

**Ratings Bonus**
The following is a summary of the ratings bonus information:

- Creegan+D'Angelo/AGS JV (7.5% Rating Bonus)
- Gerwick/SDE JV (7.5% Rating Bonus)
- Parsons Brinkerhoff/Structus JV (7.5% Rating Bonus)

**Score Sheet and Score Tabulations**
CMD has reviewed the score sheets submitted by the panelists and the final score tabulations. Based on this information, the proposals are ranked as follows:

| FIRM | RANK | |
|---|---|---|
| Creegan+D'Angelo / AGS JV | 3 | 185.3 |
| Gerwick / SDE JV | 2 | 189.9 |
| Parsons Brinkerhoff / Structurs | 1 | 191.0 |

The Request for Proposals (RFQ) indicated that a contact will be awarded to the three highest ranked proposers. Based on the foregoing, CMD has determined that the three highest ranked firms complied with the pre-award CMD 14B requirements and is eligible for award of this contact.

25 Van Ness Avenue, Suite 800, San Francisco, CA 94102
Telephone (415) 252-2504; Fax (415) 431-5764

**CMD Review**
The Contract Monitoring Division reviewed seven proposals to make certain each team met the minimum qualifications as determined by the Technical Review panel, and met the LBE goal of 21%.

If you have any questions and/or concerns please do not hesitate to contact me at (415) 274-0511

PORT OF SAN FRANCISCO

# MEMORANDUM

November 8, 2012

**TO:** MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz

**FROM:** Monique Moyer
Executive Director

**SUBJECT:** Accept the Port's Quarterly Report on Contracting Activity FY 2012-13 (July 1, 2012 through September 30, 2012)

**DIRECTOR'S RECOMMENDATION:** Accept Quarterly Report on Contracting Activity

## Executive Summary

This report provides the Port Commission with an update of the contracting activity for the first quarter of FY 2012-13. During the reporting period the Port issued three new professional services contracts and no new construction contracts which resulted in a total newly executed contract value of $248,950. Total contact payments for 14B eligible contracts (LBE) for the first quarter fell below the Port's goal of 20 percent. This was primarily driven by the Brannan Street Wharf project running under its goal for spending in the first quarter of FY 2012-13. This is an anomaly that results from the limited Local Business Enterprise (LBE) participation during the early phase of construction, and will improve as the later construction phases offer more opportunities for smaller firms.

## I. INTRODUCTION

This report is consistent with the Port Commission's policies and practices. In addition, information is included pursuant to an agreement with the International Federation of Professional and Technical Engineers (IFPTE) Local 21 and the City's Department of Public Works to keep them apprised of the Port's contracting activities.

**THIS PRINT COVERS CALENDAR ITEM NO. 10B**

Highlights

A. Use of Delegated Authority by the Executive Director
B. Participation by Local Business Enterprises (LBEs) on Contracts
C. As-needed Contracting and Use of Contract Service Order (CSOs)
D. Compliance with Local Hire Requirements
E. Changes to IFPTE Local 21 Staffing Activity
F. Projects Completed by the Department of Public Works

The attached seven exhibits provide actual performance of as-needed, construction and professional services contracts, a description of sole source contracts, and IFPTE staffing activity, and contracts awarded in the first quarter of FY 2012-13.

## II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts.

Professional services contracts must be approved by the Civil Service Commission. The Port contracts out for professional services only when work cannot be performed by the Port or other City employees because of the limited nature of the work, peak workload obligations, lack of specific expertise, or as otherwise required based upon financial risk, funding or other legal requirements.

Port staff monitors compliance with the laws, rules and regulations governing its procurement activities. The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. The Port's annual overall goal for local business enterprise (LBE) subcontractor participation is 20% for qualifying contracts.[1] In addition, the Port encourages LBE firms to compete for prime contracts and use joint venture relationships to strengthen their ability to successfully compete for contracts as individual primes.

As-needed contracts comprise much of the Port's on-going professional services contracting. The Port has ten such contracts established as Master Agreements following a formal competitive Request for Qualifications process.[2] These Master Agreements primarily have a three-year term and aggregate value of $9 million. The implementation of these as-needed contracts is accomplished through the issuance of Contract Service Orders (CSO). These as-needed contracts are subject to LBE subcontracting goals overall for the Master Agreement and for each CSO.

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1 Construction contracts, general services contracts, and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B mandatory LBE subcontracting participation requirements unless there is an approved San Francisco Human Rights Commission waiver of the LBE subcontracting goals or the source of funds is Federal or State grant monies.

2 These contracts are with the following firms: 1) Creegan D'Angelo, 2) URS/AGS, 3) Winzler Kelly, 4) CBRE, 5) EPS, 6) Seifel, 7) Keyser Marston, 8) Tetra Tech, 9) Weiss and Associates, and 10) Baseline.

## III. HIGHLIGHTS

### A. Use of Delegated Authority by the Executive Director

To streamline the Port's contracting process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution No 10-60):

- Public works and improvement contracts $400,000
- Professional services contracts $100,000

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services contracts at or under the above listed threshold limits without Port Commission review and approval.

During the reporting period, the Executive Director authorized the approval of a Contracting Services contract with Reyes Consulting for $30,000 to provide services to streamline the contracting process, a Media Consultants International contract for a public relations consultant for $38,950, and the Pier 29 Emergency Fire contract for $180,000.[3]

The Port Commission has also authorized the Executive Director (Port Commission Resolutions 09-29 and 09-37) to execute Contract Service Orders up to $500,000 without further review or approval of the Port Commission subject to the requirements of Administrative Code Chapter 6.64 requirements. Chapter 6.64 of the San Francisco Administrative Code limits Contract Service Orders to a maximum of $200,000 per public works project. Contract Service Orders exceeding $200,000 require written justification by the department head establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement.

The following is a list of CSOs issued under delegated authority:

| | | |
|---|---|---|
| 1. | EPS | $50,000 |
| 2. | EPS | $120,000 |
| 3. | Seifel | $125,242 |
| 4. | Keyser Marston | $3,500 |
| 5. | Tetra Tech | $139,796 |
| 6. | Tetra Tech | $109,451 |
| 7. | Tetra Tech | $ 32,616 |

[3] This contract has since been modified to a higher amount.

## B. Contract Terms for Local Business Enterprises (LBEs)

*Contract Terms*

Between July 1, 2012 and September 30, 2012, the Port issued three contract agreements with a combined not-to-exceed amount of $248,950. One of these contracts, for $38,950, required LBE participation. This contract is a 50 percent micro-LBE set-aside. The contract dollars are 100 percent allocated to a micro-LBE. The LBE goals for the contracts executed in the first quarter resulted in an overall LBE goal of 100 percent, or $38,950 as shown below:

***Table 1 - Contracts Awarded in FY 2012-13***

| Type of Transaction | Total No. of Contracts | Total Dollar Amt | Total LBE Goal Amt | LBE % |
|---|---|---|---|---|
| Construction | 0 | 0 | NA | NA |
| Professional Services | 1 | $38,950 | $38,950 | 100% |
| **Total 14B Applicable Contracts** | **1** | **$38,950** | **$38,950** | **100%** |
| Construction Exempt | 0 | 0 | NA | NA |
| Professional Services Exempt | 2 | $210,000 | NA | NA |
| **Total Exempt Contracts** | **2** | **$210,000** | **NA** | **NA** |
| **Grand Total** | **3** | **$248,950** | **$38,950** | **16%** |

Exhibit 6 demonstrates that two of the three contracts, which totaled $210,000, were exempted from LBE goals. The first contract was exempt because it is an emergency contract for professional services issued as a result of the Pier 29 fire. The second contact is exempt because it is below the thresholds for competitive bidding and 14B.

*Actual Payments*

As shown in the table below, in the first quarter of FY 2012-13, the Port made $13.7 million of payments to consultants and contractors subject to 14B. Of this amount, 14 percent or $2 million went to LBEs. Notably, as-needed and professional services contracts were especially strong with 37 percent and 48 percent LBE participation respectively. Construction came in at 14 percent which was driven primarily by the Brannan Street Wharf project running under its goal. This is not unexpected as most of the early project was for pile driving work and there will be a significant increase in the use of LBE as the build out progresses. Dredging work continues to run under the 3% LBE goal, and is expected to continue to run under the goal, as LBE participation opportunities are limited to trucking dredge spoils for upland disposal. To date all of the Port's dredging projects have been able to utilize ocean disposal, so far negating the need for upland disposal.

*Table 2 – Contract Payments First Quarter FY 12-13*

| Type of Transaction | No. of Contracts[4] | Total Dollar Amt | LBE Amt | LBE % |
|---|---|---|---|---|
| As-Needed CSOs | 20 | $255,463 | $94,765 | 37% |
| Construction | 9 | $13,438,049 | $1,861,610 | 14% |
| Professional Services | 5 | $52,278 | $24,834 | 48% |
| **Total 14B Applicable Transactions** | | **$13,745,790** | **$1,981,209** | **14%** |

Notably, this review of actual payments from July 1, 2012 – September 30, 2012 represents a single point in time and does not represent the completion of these contract agreements. Depending on the professional services and contract scopes, LBEs can be used more or less heavily at different times in the contract.

Exhibit 3 shows that four professional services were exempt from LBE requirements. For further details on contracting activities for the first quarter of FY 2012-13, please refer to *Exhibits 1, 2, and 3*.

### C. Compliance with Local Hire Requirements

The San Francisco Local Hiring Policy for Construction applies to the following contracts for construction projects advertised for bid after March 25, 2011:

- Construction contracts for public works or improvements; and
- All City and County of San Francisco contracted construction work on City owned or leased property.

The Local Hire Ordinance requires contractors and their subcontractors in the first year to attain a minimum of 20% total work hours by trade per project using San Francisco residents and no less than10% of all projected work hours within each trade performed by disadvantaged San Francisco residents. The program is managed by the Office of Economic Workforce Development (OEWD) as indicated in the separate report presented to the Port Commission at its July 12, 2011 meeting.

During the last fiscal year, 768 workers worked on four Port projects which fell under the City's new local hire ordinance, of that amount 138 were local workers. These jobs accounted for over 16,397 hours across a variety of trades for local residents as reported by OEWD.

Please refer to Exhibit 7 for more information on the local hire summary for FY 2011-12.

[4] Where payments were made during the quarter

## D. Changes to IFPTE Local 21 staffing activity

The Port experienced one Local 21 employee separation and three appointments. The three appointments were two temporary intern positions and one permanent Regulatory Specialist. The temporary intern positions reflect the Port's use of internship programs to provide employment and skill building opportunities. The separation was an as-needed intern position.

As requested by the International Federation of Professional and Technical Engineers (IFPTE) Local 21, staffing activity for the first quarter of the fiscal year is attached as Exhibit 5 to this report.

## E. Projects Completed by the Department of Public Works

In addition to management of high profile Port projects such as the Pier 27 Cruise Terminal, the Department of Public Works has been authorized to assist the Port with the following projects through interdepartmental work orders:

a. Bureau of Architecture – ADA Exiting Study
b. Bureau of Construction Management – Pier 43 Bay Trail Link Project Construction Support and ADA Improvements
c. Bureau of Engineering – Pier 26 Water Bar HVAC
d. Bureau of Engineering – Pier 28 IDEO HVAC PG&E Service Upgrade
e. Bureau of Engineering – Pier 19 Roof Replacement
f. Bureau of Engineering – Pier 94 Backlands Improvements
g. Bureau of Engineering – Pier 94 Ground Subsidence Repairs
h. Bureau of Architecture – Pier 33 Tenant Improvements
i. Bureau of Engineering – Blue Greenway Parks Signage and Furnishings
j. Bureau of Engineering – Tulare Park Design
k. Bureau of Engineering – Heron's Head Park Design
l. Municipal Transportation Agency – Cargo Way Street Design
m. Bureau of Engineering – Cargo Way Design Support and Construction Support
n. Art Commission – Art Enrichment Project
o. Art Commission – Pier 90 Silos Public Art
p. Bureau of Engineering – Port Sanitary Sewer Utility Mapping Design
q. Bureau of Engineering – Pier 50D New Emergency Power Distributor
r. Bureau of Engineering – Pier 80 Security Lighting
s. Bureau of Engineering – Taylor Street Improvements Project
t. Bureau of Engineering – Indicator Test Pile for Pier 9
u. Bureau of Engineering – Pier 35 Tenant Improvements for Cruise Terminal Restroom
v. Bureau of Engineering – Pier 33.5 Tenant Improvements
w. Bureau of Engineering – Brannan Street Wharf
x. Bureau of Engineering – Pier 49 J1 Sewage Update
y. Bureau of Engineering – Bayview Gateway Park

The Port also has interdepartmental work orders with numerous other City departments for services.

In conclusion, the Port did not meet the Port's Commission's goal of 20 percent LBE participation based on actual payments in the first quarter of FY 2012-13. The overall LBE rate, based on payments was 14%, which equals $2 million of contract work to local small businesses during this period. This performance was primarily as a result of the Brannan Street Wharf project running under its LBE goal, but we fully expect the project to meet its LBE goal upon completion. Port staff will work towards continued achievement of the Port's local business enterprise participation goals and to meet all contract requirements. Port staff will also continue working to develop small business opportunities on future projects.

## IV. RECOMMENDATION

The above report is submitted to meet the requirements stated in the report's Introduction. Port staff requests the Port Commission's acceptance of this report.

Prepared by: E. Andrés Acevedo &
Megan Stephenson
Contract Administration

Prepared for: Elaine Forbes
Deputy Director
Finance & Administration

Ed Byrne
Chief Harbor Engineer
Engineering

cc: Human Rights Commission, Romulus Asenloo
Local 21, IFPTE, Ging Louie

Attachments:
Exhibit 1: As-Needed Contract Service Orders
Exhibit 2: Construction Contract Payments
Exhibit 3: Professional Services Contracts
Exhibit 4: Annual Sole Source Contracting Report
Exhibit 5: Local 21 Staffing Activity
Exhibit 6: Contracts Awarded in FY 2012-13
Exhibit 7: Local Hire Workforce Summary

# As-Needed Annual Contract Service Orders (Exhibit 1)
## (July 1, 2012 - September 30, 2012)

| | As Needed Contracts | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Professional Services Consultants | Total Contract Amt. | Total Amt. Paid | LBE Amt. | LBE% | Total Amt. Paid | LBE Amt. | LBE% | LBE Goal |
| # | **Real Estate** | | Quarter 1 | | | | | | |
| 1 | Bay Area Economics (New) | $500,000 | $0 | $0 | 0% | NA | NA | NA | 22% |
| 2 | Seifel Consulting (New) | $500,000 | $0 | $0 | 0% | NA | NA | NA | 22% |
| 3 | Keyser Marston Assoc.(New) | $500,000 | $0 | $0 | 0% | $3,500 | $0 | 0% | 22% |
| | **Total Real Estate Services** | **$1,500,000** | **$0** | **$0** | **0%** | **$3,500** | **$0** | **0%** | **22%** |
| | **Engineering & Related** | | Quarter 1 | | | | | | |
| 4 | Creegan + D'Angelo/F.E. Jordan | $1,500,000 | $43,396 | $0 | 0% | $989,156 | $251,870 | 25% | 20% |
| 5 | Winzer & Kelly/SDE JV | $1,500,000 | $35,934 | $5,063 | 14% | $956,659 | $265,090 | 28% | 20% |
| 6 | URS/AGS JV | $1,500,000 | $61,144 | $13,707 | 22% | $858,853 | $153,985 | 18% | 20% |
| | **Total Engineering & Related** | **$4,500,000** | **$140,474** | **$18,770** | **13%** | **$2,804,668** | **$670,946** | **24%** | **20%** |
| | **Environmental & Related** | | Quarter 1 | | | | | | |
| 7 | Baseline | $1,000,000 | $27,458 | $19,326 | 70% | $120,273 | $22,218 | 18% | 20% |
| 8 | Tetra Tech/AEW JV | $1,000,000 | $87,096 | $56,669 | 65% | $237,720 | $86,001 | 36% | 20% |
| 9 | Weiss Associates | $1,000,000 | $435 | $0 | 0% | $213,189 | $20,845 | 10% | 20% |
| | **Total Environmental & Related** | **$3,000,000** | **$114,989** | **$75,995** | **66%** | **$571,182** | **$129,064** | 23% | 20% |
| | | | | | | | | | |
| | **TOTAL As-Needed Contracts** | **$9,000,000** | **$255,463** | **$94,765** | **37%** | **$3,379,351** | **$800,010** | **24%** | |

* Actuals from Invoices

# Construction Contracts (Exhibit 2)
## (July 1, 2012 - September 30, 2012)

| | Project Title | Vendor Name | LBE Applicable* Contract Amount | Total Contract Amount (with Mods) | Total Amount Spent | To Date LBE Actuals | LBE Actual % | LBE Goal % | | Total Spending for 1st Qtr FY 12/13 | LBE Actuals for Quarter | LBE Actual % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Brannan Street Wharf Park | Dutra | $13,537,800 | $13,558,206 | $4,110,323 | $244,919 | 6% | 9% | | $3,112,649 | $34,413 | 1% |
| 2 | Pier 43-1/2 Bay Trail Link | Vortex | $6,383,000 | $6,517,402 | $4,023,981 | $873,998 | 22% | 20% | | $146,601 | $90,768 | 62% |
| 3 | Marine Structural Projects III | West Bay | $1,325,000 | $1,325,000 | $340,426 | $84,374 | 25% | 25% | | $0 | $0 | 0% |
| 4 | Maintenance Dredging 2011-2015 | Dutra | $4,000,000 | $8,826,000 | $5,385,268 | $0 | 0% | 3% | | ($0) | $0 | 0% |
| 5 | Heron's Head Park Improvement | Yerba Buena | $1,708,000 | $1,907,474 | $1,310,494 | $326,330 | 25% | 22% | | $466,502 | $203,124 | 44% |
| 6 | Pier 33.5 | Roebuck | $2,835,000 | $2,880,311 | $168,267 | $137,250 | 82% | 23% | | $168,267 | $137,250 | 82% |
| 7 | Roundhouse 2 - HVAC Central Plant Upgrade | Evra | $453,000 | $527,871 | $506,871 | $83,000 | 16% | 5% | | $172,761 | $46,000 | 27% |
| 8 | Pier 27 Cruise Terminal CM/GC** | Turner | $44,277,477 | $44,277,477 | $19,363,768 | $2,709,687 | 14% | 17% | | $7,748,970 | $1,230,135 | 16% |
| 8.1 | America's Cup CM/GC (4th Mod) | Turner | $9,507,037 | NA | $1,690,668 | $119,920 | 7% | 12% | | $1,622,299 | $119,920 | 7% |
| | **Total LBE Contracts** | | **$84,026,314** | **$79,819,741** | **$36,900,066** | **$4,579,478** | **12%** | | | **$13,438,049** | **$1,861,610** | **14%** |
| | | | | | | | | | | | | |
| 8.2 | Pier 27 Cruise Terminal CM/GC (Federal Grant Portion) | Turner | $991,000 | $991,000 | $0 | $0 | 0% | | | $0 | $0 | 0% |
| | **Total LBE Exempt Contracts** | | **$991,000** | **$991,000** | **$0** | **$0** | **0%** | | | **$0** | **$0** | **0%** |
| | **Grand Total** | | **$85,017,314** | **$80,810,741** | **$36,900,066** | **$4,579,478** | **12%** | | | **$13,438,049** | **$1,861,610** | **14%** |

*Includes original base contract amount and any modifications, options, or change orders that HRC determines may be included as part of a revised goal.

**The Pier 27 contract with Turner was awarded in phases. The initial phase was for only $3,581,137.

# Professional Services Contracts (Exhibit 3)
## (July 1, 2012 - September 30, 2012)

| Project Title | Date | Vendor Name | Total Contract Amount | Total Amount to Date | LBE Goal % | LBE Dollars to Date | LBE % to Date | Total Spending for 1st Qtr FY 12/13 | LBE Payments for Quarter | LBE % for Quarter | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Professional LBE Contracts** | | | | | | | | | | | |
| 150th Anniversary | 1st Qtr | Media Consulting International | $38,950 | $11,250 | 50% | $11,250 | 100% | $11,250 | $11,250 | 100% | |
| Financial Advisory Services | Ongoing | Public Financial Management | $449,000 | $123,633 | 40% | $22,000 | 18% | $0 | $0 | 0% | |
| Pier 27 Architectural and Design | Ongoing | KMD/Pfau Long | $9,950,000 | $8,296,193 | 15% | $3,706,456 | 45% | $41,028 | $13,584 | 33% | |
| **Professional LBE Exempt Contracts** | | | | | | | | | | | |
| Pier 29 Fire Recovery | 1st Qtr | Creegan + D'Angelo | $180,000 | $165,391 | NA | $19,320 | 12% | $165,391 | $19,320 | 12% | Emergency Contract |
| Contracting Process Consulting | 1st Qtr | Ester Reyes | $30,000 | $1,950 | NA | NA | NA | $1,950 | $0 | 0% | LBE Exempt |
| Foreign Trade Zone Consulting Services | Ongoing | Roger L. Peters | $30,000 | $10,000 | NA | NA | NA | $0 | $0 | 0% | LBE Exempt |
| Youth Employment Services | Ongoing | San Francisco Conservation Corps | $896,989 | $824,932 | NA | NA | NA | $35,464 | $0 | 0% | LBE Exempt |
| **Total LBE Contracts** | | | **$ 10,437,950** | **$ 8,431,076** | **Varies** | **$ 3,739,706** | **44%** | **$ 52,278** | **$ 24,834** | 48% | |
| **Total Exempt Contracts** | | | **$ 1,136,989** | **$ 1,002,273** | **NA** | **$ 19,320** | **NA** | **$ 165,391** | **$ 19,320** | 12% | |
| **Total Contracts (including exempt)** | | | **$ 11,574,939** | **$ 9,433,349** | **Varies** | **$ 3,759,026** | **40%** | **$ 217,669** | **$ 44,154** | **20%** | |

Exhibit 4 – Annual Sole Source Report

# MEMORANDUM

Date: October 18, 2012

To: Clerk of the Board

From: Monique Moyer
Executive Director
Port of San Francisco

Subject: Sole Source Contracts for Fiscal Year 2012-2013

## SOLE SOURCE CONTRACTS

Sunshine Ordinance Section 67.24(e) requires that at the end of each fiscal year each City Department provide the Board of Supervisors with a list of all sole source contracts entered into during the past fiscal year. Please list all existing sole source contracts, adding those entered into during Fiscal Year 2012-2013. Please report if your department **did not** enter into any sole source contracts during the past fiscal year. The list shall be made available for inspection and copying. In addition, Sunshine Ordinance Section 67.29-2 encourages departments to post this information on their websites. Submit sole source contract information by:

| Term | Vendor | Amount | Reason |
|---|---|---|---|
| 6/1/12 - 3/30/13 | BAE | $5,700,000 | Pier 70 Shoreside Power<br><br>Update:<br>Amount has been spent project is complete. Test phase now in progress. |
| 1/1/12-12/31/12 | Invensys | $29,745 | Avantis.PRO<br>Justification: Annual proprietary software license renewal a maintenance for existing maintenance management system. |
| 1/1/12-12/31/12 | AirIT | $36,959 | PROPworks<br><br>Justification: Annual proprietary software license renewal a maintenance for existing maintenance management system. |
| Total | | $5,766,704 | |

In summary, the Port has received approval to contract out $5,766,704 in sole source purchases or contracts.

cc:

Elaine Forbes, Port Deputy Director for Finance & Administration
Megan Stephenson and E. Andres Acevedo, Port Contract Administrator

**Port of San Francisco (Exhibit 5)**
**Staffing Activity - Quarterly Report (Local 21 only)**
**07/01/2012 - 09/30/2012**

## HIRES/APPOINTMENTS

| Class/Title | Activities |
|---|---|
| 1649 Accountant Intern | Rotation of Interns; eff 07/09/12; Permanent Exempt/Full-Time |
| 5382 Student Design Trainee III | Temporary Exempt/As-Needed; start work date 07/30/12 (Finance & Administration) |
| 5620 Regulatory Specialist | New Hire eff 07/09/12; Permanent/Full-Time |

## SEPARATIONS/VACANCIES

| Class/Title | Activities |
|---|---|
| 5382 Student Design Trainee III | One (1) fte; As needed position for Engineering |

## Contracts Awarded in Fiscal Year 2012-13 (Exhibit 6)
### (July 1, 2012 - September 30, 2012)

| Project Title | # | Vendor Name | Original Contract Amount | Total Contract Amount (with Mods) | LBE Goal % | Total LBE $ Awarded | Awarded |
|---|---|---|---|---|---|---|---|
| **Construction Services** | | | | | | | |
| None | - | - | - | - | NA | - | - |
| **Total LBE** | - | - | - | - | NA | - | - |
| **Construction Services Exempt** | | | | | | | |
| **Total Exempt** | - | - | - | - | NA | - | - |
| **Grand Total Construction** | - | - | - | - | NA | - | - |
| **Professional Services** | | | | | | | |
| Public Relations Consultant | 1 | Media Consultants International | $38,950 | $38,950 | 100% | $38,950 | 1st Quarter |
| **Total LBE** | - | | **$38,950** | **$38,950** | **100%** | **$38,950** | - |
| **Professional Services Exempt** | | | | | | | |
| Pier 29 Emergency* | 2 | Creegan + D'Angelo | $180,000 | $180,000 | NA | $0 | 1st Quarter |
| Contracting Consultant | 3 | Esther Reyes Consulting | $30,000 | $30,000 | NA | $0 | 1st Quarter |
| **Total Exempt** | - | | **$210,000** | **$210,000** | **NA** | **$0** | - |
| **Grand Total Professional** | - | | **$248,950** | **$248,950** | **16%** | **$38,950** | **16%** |
| **Grand Total Professional and Construction** | | | **$248,950** | **$248,950** | **Varies** | **$38,950** | **16%** |

*Two subsequent contract modifications have raised the total contract amount to $1.57 million be reflected in the second quarter.

**OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT**
**WORKFORCE DEVELOPMENT DIVISION**
**MEMORANDUM**

**TO:** PORT OF SAN FRANCISCO

**FROM:** KEN NIM, WORKFORCE COMPLIANCE MANAGER

**SUBJECT:** CONSTRUCTION WORKFORCE SUMMARY FISCAL YEAR 2011-2012

**DATE:** 10/26/2012

**CC:** RHONDA SIMMONS, PAT MULLIGAN, MONIQUE MOYER

Dear Colleagues:

Thank you for your commitment and hard work to manage San Francisco's Local Hiring Policy for Construction, Administrative Code Section 6.22(G). The implementation would not have been fulfilled without your leadership and partnership. As we continue to implement Year Two of the Policy and prepare ourselves for Year Three and the Review Period, we have prepared for you a snapshot workforce summary report of the construction projects for your department in Fiscal Year 2011-2012.

In FY 2011-12 OEWD's CityBuild continued to assist the Port in its construction workforce goals, raising regional awareness with contractors for the benefits of hiring locally, assisted San Francisco residents with employment opportunities on Port projects, and guided contractors in meeting their compliance on First Source and Mandatory Local Hiring policy. For the Fiscal Year, 138 Local workers out of 768 total workers were employed through the various construction projects managed by the Port for the Fiscal Year. These jobs accounted for over 16,397 hours across a variety of trades for Local Residents.

Please be aware, as construction projects covered by the Local Hiring Policy approach substantial completion, please inform residential engineers, direct project team members, or contracts administrative staff to notify OEWD prior to closing out the project. My office will issue a final closeout report. If there are any deficiencies in meeting the Local Hiring requirements, my office will work with contractors to remedy the deficiencies prior to approval of final payment to close out the project.

If you need additional information or clarification, please contact me at 415-701-4853. Attached are your Workforce Summary Reports for Fiscal Year 2011-2012. Thank you for your support.

Sincerely,

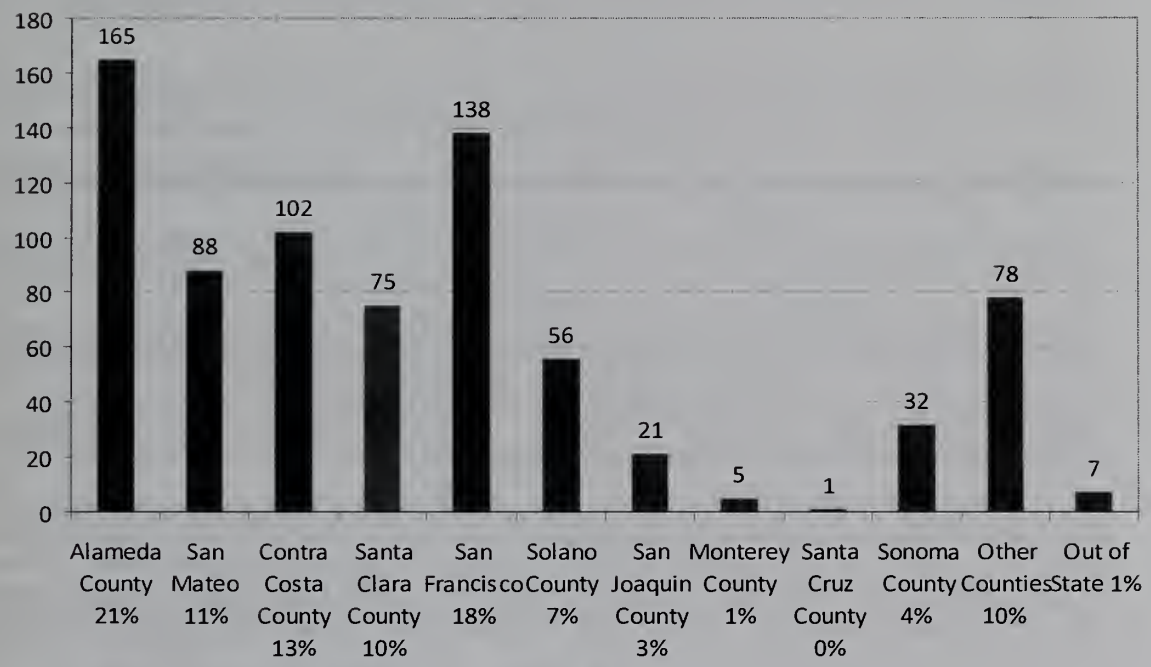
Ken Nim, Workforce Compliance Manager
OEWD

ONE SOUTH VAN NESS AVENUE, 5TH FLOOR
SAN FRANCISCO, CA 94103
PHONE: 415.701.4848 (Main) - 415.701-4897 (Fax)

http://www.oewd.org

**Port of San Francisco CityBuild Services**
**Workforce Summary Report FY 2011-12**

**FY 2011-12 Total Workers by County**



FY 2011-12 Total San Francisco Work Hours by Trade

| Construction Trade | Total Hours | | | Apprentice Hours | | |
|---|---|---|---|---|---|---|
| | Total Hours | Local Hours | Local Hours % | Total Apprentice Hours | Local Apprentice Hours | Local Apprentice Hours % |
| Asbestos Removal Worker | 1,453 | 40 | 3% | 0 | 0 | 0% |
| Brick Tender | 100 | 15 | 15% | 0 | 0 | 0% |
| Bricklayer, Blocklayer | 244 | 17 | 7% | 0 | 0 | 0% |
| Carpenter And Related Trades | 10,791 | 2,574 | 24% | 1,074 | 843 | 78% |
| Carpet, Linoleum, Soft Floor Layer | 72 | 8 | 11% | 0 | 0 | 0% |
| Cement Mason | 1,635 | 549 | 34% | 28 | 28 | 100% |
| Dredger Operating Engineer | 4,903 | 0 | 0% | 0 | 0 | 0% |
| Driver | 3,787 | 1,865 | 49% | 0 | 0 | 0% |
| Drywall Installer/Lather | 1,181 | 0 | 0% | 8 | 0 | 0% |
| Electrician | 3,812 | 628 | 16% | 981 | 0 | 0% |
| Field Surveyor | 56 | 0 | 0% | 0 | 0 | 0% |
| Glazier | 28 | 0 | 0% | 8 | 0 | 0% |
| Iron Worker | 4,891 | 1,754 | 36% | 688 | 621 | 90% |
| Laborer And Related Classifications | 20,634 | 6,919 | 34% | 2,607 | 1,770 | 68% |
| Metal Roofing Systems Installer | 179 | 34 | 19% | 106 | 34 | 32% |
| Modular Furniture Installer | 25 | 0 | 0% | 0 | 0 | 0% |
| Operating Engineer | 13,434 | 143 | 1% | 380 | 0 | 0% |
| Painter | 180 | 0 | 0% | 4 | 0 | 0% |
| Pile Driver | 17,736 | 1,306 | 7% | 4,623 | 448 | 10% |
| Plasterer | 91 | 0 | 0% | 0 | 0 | 0% |
| Plumber | 1,317 | 280 | 21% | 356 | 69 | 19% |
| Roofer | | | | | | |
| Sheet Metal Worker | 921 | 204 | 22% | 16 | 0 | 0% |
| Teamster | 416 | 22 | 5% | 0 | 0 | 0% |
| Tile Finisher | 30 | 0 | 0% | 5 | 0 | 0% |
| Tile Setter | 23 | 0 | 0% | 0 | 0 | 0% |
| TOTAL | 88,336 | 16,397 | 19% | 11,061 | 3,852 | 35% |

PORT OF SAN FRANCISCO

# SAN FRANCISCO PORT COMMISSION

## NOVEMBER 13, 2012
## MINUTES OF THE MEETING

**MEMBERS, PORT COMMISSION**
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

# CITY & COUNTY OF SAN FRANCISCO
# PORT COMMISSION

## MINUTES OF THE MEETING
## NOVEMBER 13, 2012

### 1. CALL TO ORDER / ROLL CALL

Port Commission President Doreen Woo Ho called the meeting to order at 1:40 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Willie Adams and Leslie Katz.

### 2. APPROVAL OF MINUTES – October 23, 2012

The Port Commission Secretary announced that the October 23, 2012 meeting minutes indicated that Commissioner Brandon was not present at the meeting; when, in fact, she was. The minutes have been revised accordingly.

ACTION: Commissioner Brandon moved approval of the minutes as amended; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the October 23, 2012 meeting were adopted.

### 3. PUBLIC COMMENT ON EXECUTIVE SESSION

Sue Hestor – I've attended all the public workshops for public input on Pier 30/32 and I would ask this Commission and staff to direct everyone who is a negotiating party that when they attend these public meetings to shut up and identify themselves. There was a lot of furor at my table at the latest session which was quality of life because one of the Warriors negotiators sat at our table and had input and was very vocal and did not identify herself as a Warriors until the entire thing was over and people freaked out. I request that there be a rule enforced on all negotiations particularly the Warriors that in the case of the Port, OEWD and particularly the Warriors not participate as members of the public and wear big badges saying who they are because people hide behind anonymity. I know because I've been around the block. I don't know the Warriors representatives but I do know the Port and OEWD. Most of the people there are true civilians. It is unfair for them to have to argue with a person from the Port, the Warriors or OEWD when you are soliciting public input. Either shut up or identify yourself. This came up recently at the last session on the input on Pier 30/32 because Warriors was way over the line.

### 4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 1:42 p.m., the Commission withdrew to executive session to discuss the following matters:

An Executive Session has been calendared to discuss the following matters:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative:***

a. Property: Pier 28½, submerged Bay lands and portions of the shoreline at the foot of 23rd Street; portions of Custer Avenue, Evans Avenue, Davidson Avenue and Ingalls Street; and Pacific Gas & Electric owned parcels Block 4120 Lot 2 and Block 4110 Lot 8a near 22nd and Illinois Street.
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development and Brad Benson, Special Projects Manager
*Negotiating Parties: Developer: Pacific Gas & Electric: Darin Polsley

b. Property: Piers 30/32 and Seawall Lot 330
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development and Brad Benson, Special Projects Manager
OEWD: Jennifer Matz, Ken Rich, Tamsen Drew
*Negotiating Party: Golden State Warriors and GSW Arena LLC: Rick Welts, Ellen Warner, Jesse Blout, Michael Cohen

c. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*Negotiating Parties: Jack Bair, SWL 337 Associates, LLC

## 5. RECONVENE IN OPEN SESSION

At 3:28 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session. Commissioner Katz seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. **ANNOUNCEMENTS:** The Port Commission Secretary announced the following:

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments:

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

7. **EXECUTIVE**

A. Executive Director's Report – Executive Director Moyer reported the following:

- Milestone Update: Brannan Street Wharf – The construction of the Brannan Street Wharf is going smoothly and on schedule for completion in June 2013. It is a $26 million project, partially funded by the 2008 Clean and Safe Neighborhood Parks Bond. The Brannan Street Wharf is located on the Embarcadero between Piers 30/32 and Pier 38. This project will create 57,000 sq. ft. of public open space wharf with a raised lawn and interpretive elements. We were fortunate to get financial help from the Army Corps of Engineers for the first phase of the Project, removal of Pier 36 and the Bulkhead Wharf. Dutra Construction Company was selected via competitive bid for construction of the new Wharf.

  Last night, over 900 cubic yards of concrete was placed to create nearly 1/3 of the new wharf deck. It was quite a coordinated effort, 2 concrete pump trucks, 2 placing crews, 2 batch plants supplying trucks at the rate of 1 every 3 minutes, and a full closure of the northbound Embarcadero roadway from 9 p.m. to 5 a.m. It went off without a hitch and everything was restored in time for the morning commute. A big thanks to all involved including Dutra, Cemex, Landavazo, Conco, SFDPW, SFMTA, SFPD and Port staff.

  Pile driving will resume tomorrow and by the end of next week, all 262 piles will be installed. Falsework construction and reinforcement placement are also ongoing. It is a great opportunity to see modern earthquake resistant wharf construction, all easily visible by taking a walk along the Promenade.

  This is a great project which is being built to standards which are the most modern ones that we know for earthquake protection as well as sea-level rise, so we're excited about fulfilling this project. We're looking forward to our

very next America's Cup events and Fleet Week events having the Brannan Street Wharf opened as a prime place of viewing. Congratulations to everyone involved to-date, and my thanks to our neighbors who have been very patient through this process.

- Passage of Proposition B, Clean and Safe Neighborhood Parks Bond - Proposition B for Clean and Safe Neighborhood Parks bond 2 passed on November 6, 2012 by 71.7 percent of the vote, which is really terrific and goes to the generosity of the San Francisco voters who really do support these amazing amenities throughout our city. The park bond confers $34.5 million to six key waterfront parks that includes Piers 43½ in Fisherman's Wharf, the Northeast Wharf Plaza at Piers 27, 29, Agua Vista Park in Mission Bay, Pier 70 public improvements on parks, Warm Water Cove and Islais Creek. We're very excited to keep moving with our parks having just opened our expansion of the Heron's Head Park, which is getting a lot of great use. We're very pleased and gratified to the voters of the city. Thanks to all of you for your help with this measure in every way, even if all you did was vote yes.

- Seawall Lot 337 Open House at AT&T Park - November 14, 2012 at 6 p.m. - On November 14, 2012 at 6:00 p.m., there will be an open house regarding the future of Seawall Lot 337 at AT&T Park. It's being hosted by the Giants, and Port Staff and the Mission Rock Development Team will be there to talk informally about the Mixed Use Development Project at Seawall Lot 337. Happy Birthday to Jack Bair who is celebrating his birthday today. Thank you for joining us on your special day.

- Crab Season Opening - November 15, 2012 - On Thursday, November 15, 2012 is the official opening of crab season. I understand that the crab fishermen and the fish processors have reached a price. It sounds like the crab season is going to start on time. We can expect to see all of the vessels leaving tomorrow to go out and set their traps and returning on Thursday with commercial crab. The recreational crab season opened this past weekend, and already there have been people who are fishing for their own selves who have been bringing in medium-size to small-size crabs. It looks like it's going to be a fairly decent season. We're very happy about that. We have 13 transient that are out-of-town commercial crab vessels in port at the Hyde Street Pier as well as our own fishing fleet. We expect to have crab for Thanksgiving.

**8. CONSENT**

A. Request authorization to advertise for competitive bids for Construction Contract No. 2759, Pier 23 Electrical Service Upgrade for the 34th America's Cup Event. (Resolution No. 12-85)

B. Request authorization to accept a gift of an outdoor water bottle refilling station with a market value of $2,595 from Most Dependable Fountains, Inc. (Resolution No. 12-86)

C. Request authorization to accept and expend $50,000 in grant funding from the California Department of Boating and Waterways Abandoned Watercraft Abatement Fund for removal and demolition of abandoned recreational watercraft on the Port waterfront. (Resolution No. 12-87)

D. Request authorization to accept and expend a $20,000 grant from the California Department of Boating and Waterways Vessel Turn-In Program to allow for removal, storage and disposal of eligible surrendered vessels within the Port of San Francisco. (Resolution No. 12-88)

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-85, 12-86, 12-87, and 12-88 were adopted.

## 9. PLANNING & DEVELOPMENT

A. Informational presentation regarding the Fiscal Feasibility Report for the San Francisco Multi-Purpose Venue Project on Piers 30-32 and Seawall Lot 330 and Request Approval of a First Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets. (Resolution No. 12-89)

Jennifer Matz, Office of Economic and Workforce Development - Here on behalf of a team of folks who are excited to be here to present our first comprehensive hearing on the proposed Piers 30, 32, Seawall Lot 330 project that would include a multipurpose arena that would be home to the Golden State Warriors.

We have been working with the Citizen Advisory Committee set up through the Port at the request of Supervisor Jane Kim since August. This is our first opportunity to come and give you a comprehensive overview of some of the aspects of the project that we have been talking about as well as talk to you about the fiscal feasibility report that is going to be considered by the Board of Supervisors Budget and Finance Committee tomorrow.

As you are aware, Chapter 29 of the Admin Code requires that there are findings of fiscal feasibility for certain public, private and public projects in order to move forward and commence environmental review. We prepared a fiscal feasibility report, which was reviewed by Harvey Rose, the Board Supervisors' budget analyst, who found that the project is fiscally feasible, and we will be making a request to have the board find the project fiscally feasible tomorrow and then next week.

This presentation today has many parts, and we will be moving back and forth between presenters who are experts in the various aspects of this project.

I will first talk a little bit about the project outreach to-date and proposed. Diane Oshima will then talk about a little bit of development around port development at this site. Jacinta McCann from AECOM will give an overview of the proposed project.

Peter Albert from the MTA will talk about the transportation assessment that's going on throughout the Embarcadero right now that will help inform the environmental review process for this project. Brad Benson and I will discuss the business terms and the fiscal feasibility analysis as described in the conceptual framework that informs the fiscal feasibility analysis.

Then we will conclude with a few words from Rick Welts from the lawyers who would like to talk a little bit about what this project really means for the city and for the port. Finally, we'll be asking you to extend some of the deadlines that were in the exclusive negotiating agreement to allow us a little bit more time to negotiate a comprehensive term sheet, which we hope to bring back to you between February and April of next year.

As mentioned, there was a community advisory committee that was formed by the port, and from that community advisory committee there are three different tracks of workshops that have either begun or are soon to begin.

We're doing transportation workshops to talk about current transportation challenges in the South Beach Mission Bay neighborhood, some of which are due to existing conditions and ones that would be potentially created by the additional activity from a development at Piers 30/32 and SWL 330.

We are moving forward with Neighborhood Quality of Life Workshops to look at ways in which a permanent funding stream and some sort of free-standing entity can be created to work with neighbors, merchants and stakeholders in the vicinity to address some of the concern around the increased development in activities.

We are about to embark on a design workshop for Seawall Lot 330. While the design for the arena has been very much embraced and has a lot of momentum moving forward, there has been less time spent on the development of Seawall Lot 330, and we would like to engage the public in a workshop to look at some possibilities and options for that site.

Reviewing the timeline, the announcement of the proposed Piers 30/32 project was made in May. In August, the CAC was formed. We've had four meetings to-date in which we've talked about public trust, waterfront land use plan and BCDC overview, a meeting in September in which the transportation assessment framework was described, a second meeting in September to talk

about design policies and the approach to design at the sites as well as a presentation by the Warriors around their urban design sort of philosophy.

That was followed by a meeting in October in which the actual project design for the arena was first unveiled. The findings of the fiscal feasibility report were also reviewed at that CAC meeting. Our next meeting is planned for December 11, 2012 which will encompass in part, at least, our workshop report-backs and including a report back of the Seawall Lot 330 Design Workshop.

This is a calendar of the workshops that have occurred and the ones to be planned. We will have a transportation workshop on December 4, 2012 then our next neighborhood quality-of-life workshop and a third transportation workshop after the holidays. There won't be any other workshops between now and after the New Year.

Diane Oshima, Port's Planning and Development Division - As part of the orientation for the CAC and the general public, we did a broad overview of the policy context and some of the design framework for the project site starting with the Waterfront Land Use Plan, which is the Port Commission's adopted master plan for the 7½ mile waterfront.

It was originally adopted in 1997. It's been updated occasionally based on various projects that have come through. Its primary objectives are to reunite the waterfront with the city, but incorporating these features that are bulleted in the slide to maintain and give priority to the diversity of maritime industries that call San Francisco home. We probably have the most diverse portfolio of maritime industries in the United States. To integrate that with an expanded, open-space plan recognizing that the waterfront is becoming more of a public recreation and open-space access for the city at large, which gets integrated with mixed-use development sites that are identified within the Waterfront Land Use Plan.

In carrying out this planning process, originally there was another advisory group that was created that recommended the plan to the Port Commission at the time. The Port Commission in 1997 approved that plan. Upon approving the plan, the port also went to work with the Planning Commission, the Board of Supervisors and BCDC to align the policies that the port believed was appropriate for the waterfront with the city's planned policies for the waterfront as well as BCDC's to align all of the various jurisdictions and give some careful and consistent focus as to what should be happening along the waterfront.

There are mixed-use development opportunities that are identified in the Waterfront Land Use Plan. The Bryant Street Pier opportunity area is one of those within the South Beach area consisting of Pier 30/32 and Seawall Lot 330.

During the planning process, it was always seen as an opportunity to create these mixed-use maritime developments that brought new opportunities for expansion and improvement of maritime uses with a mix of uses that would help to finance the rehabilitation of our piers, create a new mix of activities that would

draw people out to the waterfront. We coordinated that with the Open Space Plan that's also promoted in the Waterfront Plan.

The Brannan Street Wharf Project that Monique described was deliberately conceived of as a package of benefits for open space as well as activities that also promoted our maritime uses.

At the time the Waterfront Plan was being contemplated, we looked at identifying acceptable land uses on every single port parcel. For Pier 30/32, you will find a menu of uses in the Waterfront Land Use Plan, which includes assembly and entertainment uses as being allowable, long-term uses along with retail and a number of other activities in support of this mixed-use development concept.

The Waterfront Plan also contemplates sports facilities and portions of the waterfront. At the time that the plan was approved, the ballpark site was really considered as one of the sports facility venues along the waterfront. Pier 30/32 wasn't specifically looked at that time, but as part of this project in the overall package of approvals, the Port Commission along with other city decision makers will be contemplating that arena use along with the entertainment and assembly activities that are proposed.

This site also in the context of the National Register Historic District, is the only pier that is outside of the boundaries of the historic district but adjacent to the historic district. There was recognition that there was an opportunity to do something architecturally unique and different in this stretch of the waterfront. The strength of the historic character of the architecture weakens, and so the Waterfront Plan does call out for a fresh look at new architectural endeavor in this area.

Across the street on Seawall Lot 330, the Waterfront Plan has a basic concept of promoting inland development that takes its cues from what's happening in those adjacent neighborhoods and districts. The mixed-use residential hotel and commercial uses is typically something that is contemplated for the seawall lots north of China Basin Channel. We provided that backdrop for the CAC and the public. It informed the design process that the Warriors' Design Team of Snohetta and AECOM have gone through.

Jacinta McCann with AECOM - as Diane mentioned, I'm going to take a few minutes to present the design for the event venue and mixed-use development proposed on Piers 30/32 and Seawall Lot 330. What I will be showing you are our initial concepts. There will be a lot more design to happen, but I want to walk you through our proposals for the development.

AECOM is a global planning, architecture and engineering firm. We're based in San Francisco. We've been here for more than 70 years, and we're working in very close collaboration with Snohetta as the design architects for this project. My colleague, Bill Crockett, is the head of our sports architecture practice and is leading the architectural effort for the project.

Some of you may be wondering what the name Snohetta, means. Snohetta is actually the name of a mountain in Norway. Craig Dykers, who heads up Snohetta, has named his firm after this mountain. I believe they climb it every summer. He sends his apologies. He's not climbing the mountain this week, but couldn't make this presentation and will be here in the future. Snohetta is renowned as a firm that does beautiful and highly regarded cultural and arts performing venues amongst other types of buildings.

When we started the project, our clients, the Warriors, challenged Snohetta and ourselves to think about how we could connect the city to the water and how could we do that in an inspiring way that could create an iconic destination for San Francisco.

We took some inspiration from some of Craig Dykers' work with Snohetta. What you see right now on Piers 30/32 is a long view down the pier, very difficult to actually get onto the pier most of the time. The water is 900 feet away. It's quite a walk to get to the end of the pier.

The Oslo Opera House was designed by Craig Dykers and Snohetta. This is a very interesting building. It has become an icon for Oslo. The community loves it and go there whether they're going to the opera -- they may never go to an opera, but they will be there enjoying the connectivity to the water, enjoying the tremendous public realm that encircles this building and actually wraps its way up the building as well. This is a view from a higher elevation where the public can walk around, the community can get spectacular views across the city. You can also get down and touch the water as part of this development. In some ways we took inspiration from this in terms of answering the question -- how can you connect the community to the water in a creative and iconic way?

We also started out by thinking about the site conditions, appreciating the opportunities and the constraints that exist at this part of the waterfront. There are some very interesting contrasts. To the north, Piers 26/28 create a much more urban edge to the site looking north. You see the Bay Bridge peeking over the top of the existing sheds and the city behind. It will be a more shaded side of the pier as the development is undertaken.

To the south, in contrast, a very beautiful, small section of the bay -- the front's the Embarcadero and the Brannan Street Wharf Park, which is under construction. That will create a very different character, very much community oriented, great opportunity for an active community recreational edge.

You can see Reds Square at the top of the plan, proposing to keep that existing element. You can see the Watermark Tower on Seawall Lot 330 in blue. Then you can see the blue color encompassing both Seawall Lot 330 and Piers 30/32 indicating that from the beginning we have looked at this in a holistic way as planners and designers.

The red dotted line through the middle of this diagram indicates the typical relationship that you have along the waterfront when you look down a pier. You typically take that long view down a pier to the water. This is something which occurs here, but there is something that occurs on Piers 30/32 which is unlike any other pier.

There's a very spectacular north/south view access that you experience as you walk onto the pier, a quite spectacular view north up to the Bay Bridge. This is something that's shaped the way in which we approach the site planning for the development.

This is an early diagram that appeared in the press in the spring of this year, and it was before we had started design for the project. It actually illustrated how a typical development on a pier might occur. You can see in blue the indication of the event arena and then the orange for the mixed use in retail development. You can see on the dotted lines that is typically how views would be gained along piers along the San Francisco waterfront, long views along the edge of the pier.

What we did taking into account the full range of different view opportunities, we decided to actually move the arena around, tilt it around so that we could open up and actually reinforce and frame these spectacular views. So you will see in the site plan this is how we have begun to shape the overall distribution of the different development elements.

This is the site plan for the development. I will present this in more detail in a minute but the overall arrangement here; you can see the event venue located in the southeast corner of the pier, maintaining public access along at ground level. You can see the very generous areas of plazas that step up and tier us up to a height of 50 at the highest and 35 feet where you enter into the arena.

You can see retail pavilions next to the Embarcadero. Across on Seawall Lot 330 you can see the proposed new development of two towers and over the top of mixed use development under a podium.

This is a sketch rendering that we've prepared to show how the arena, this iconic event venue for San Francisco, would be viewed relative to the city CBD. You can see the buildings in the downtown area scaling down to the waterfront per plan requirements. You can see the main arena at the end of the pier. In the foreground you can actually see the ballpark. This is a closer view. You can start to see the arena and event facility in more detail. You can see how it wraps around, how public access actually wraps around and up the building. You can see the terraced plazas, all publically accessible that lead people up to gain a quite spectacular view of the city. You can see the retail pavilions bordering the Embarcadero.

If you were walking along the Embarcadero walking north, this is a view that has been set up next to Brannan Street Park. You can see that illustrated in green.

Of course it's not the final appearance, but just representing that area. You can see approaching from this side how you have this fantastic broad plaza and terrace plazas that lead you up into this magnificent view back to the Bay Bridge.

This is a rendering where we are showing some of the character, the early design thinking for how the southern edge of the pier could be treated. We see this as a fantastic community gathering place, sunny, wind protected with the opportunity to gain access into the water and the opportunity also for some bio-filtration and storm-water management. There's tremendous potential here for the multiple uses of this area.

This is a view if you were walking south along the Embarcadero having just walked under the Bay Bridge. To the left you can see part of the Pier 26 to 28 pier shed building. You can see Hi Dive and you can see Reds in the middle of this image. You can see the retail pavilions, two to three stories high, very similar in height and replicating in form the existing pier head buildings. These are not yet designed, and they will of course start to take on a lot more character as they become designed. You can see the arena in the background just to the left.

Looking in more detail at the plan, this is again the site plan at a larger scale. You can see in more detail how the southern edge is treated with the opportunity to step down into the water and have a human-powered craft enter the water at that point, the opportunity for bio-filtration, the very generous public plazas. More than 50 percent of the site will be a publically accessible area in these terrace plazas around the arena and around the retail. You can see the two retail pavilions, and you can see the arena.

On the left-hand side of the Embarcadero on the western side, you can see how Seawall Lot 330 is laid out, the Watermark Tower in the corner, propose two additional towers, residential and potential hotel located on a podium set at 45 feet, which is the same level as the podium for the Watermark Tower. Under the podium, there will be a mixture of retail, office and parking.

We know that there is a lot of community concern and interest in the towers. I would echo the notice that we had earlier for the CAC workshop on the November 20, 2012. That will be a great time to be able to get into more detail on this side of the development.

You can also see at the top of Seawall Lot 330 the green area is an area where we have cut the development back to be able to achieve a direct and generous public access along Main Street back to Trans-Bay and be able to give people an area to flow out and onto as they're crossing Bryant Street.

On the ground floor plan, this is the street-level plan for the development, I'll just give you a little more detail on the uses, particularly the maritime uses. Starting at the top of this slide, you can see in gray the Reds Restaurant. Next to that in pink is the proposed fireboat house. To the north of it are three tie-up points for

fireboats, and then to the right of that, a ferry landing location as well. We see this northern edge of the piers being very active maritime use.

The eastern edge of the pier, we are starting the feasibility for a deep vessel berth at this location. Rick Welts will talk to you more about that at the end. We know the port is very interested in that opportunity.

Along the southern edge of the pier, you can see here, again, active marine edge uses, guest docks for boats to dock at, water taxi and the step plaza that meets the water reaching around to Brannan Street Wharf Park.

You can also see in here in blue the arena interior at ground level. You can see part of the bowl of the arena. You can also see two practice courts and the practice facilities to the north. We've tucked those into the northern edge of the arena itself, which provides ideal proximity for practicing.

In the blue box to the right of that is a proposed community room, flexible. We're actually very excited about this. It's in the best part of the site. We'll have spectacular views and could be developed for a range of different flexible community uses which we will work with the community on developing ideas for that.

The yellow is the retail. You can see here as well that we have actually stepped that retail building back and widened the street edge at the Embarcadero at that point which will provide a generous area for people to move around.

The parking is shown in gray. There will be 630 spaces approximately parked on Piers 30/32 into its split levels going up to three levels maximum height. That parking is hidden below the step plazas that allow everyone to move up and experience a sort of topographic experience of the site to achieve these beautiful views.

For public access, these are some of the major categories of public access. A great deal of the site will be available for the community to use in a variety of ways. You can see here these are depicted in different colors depending on their purpose, everything from grand stair and the step ramp and the amphitheater that leads you up into the event plaza that takes you into the main entry to the arena at Level 35, and then an event lawn that steps up into the bay overlook area and potential outdoor theater at Plus 50. Then you can see the entry plaza and the bio-filtration on the south side.

This is a detail of the arena building showing two things: one, how the community access and public access works right at the pier level. You can see that area of the pier that wraps around the side of the building, and that provides access a minimum of 25 feet wide, and it's actually much wider along many parts of the pier edge.

You can see that at the pier level. There is another major architectural idea which is to create a ramp access walk for public access that will wind up around the perimeter of the arena and lead up ultimately to a view deck up on the roof of the arena from which people can get a spectacular view up at that 135-foot level. Over the top there is a concept for how we think that part of the roof may actually have an additional shelter and weather protection for that viewing plaza on the roof of the arena.

This is a rendering that shows how that transparency of the arena could be realized. This is a view taken inside, so people who are at a ticketed event walking around enjoying the transparency and the views out, but also people who are walking around that spiraling public walkway can actually see in as well. You can see that on the right-hand side of the rendering, spectacular opportunities for indoor and outdoor view connectivity.

We have started to study in great detail access and connectivity to the development. This diagram depicts the proximity to different forms of public transportation. You can see how close the site is to the freight building to the north, well connected to MUNI in the south, to Trans-Bay and also to Cal-Train, and, of course, water access by ferry and water taxi. With all of that in mind, we have started to look in more detail at the site circulation.

This diagram shows how bicycle and public walking is proposed to occur. You can see in red the public access and bicycle way that is proposed right around the perimeter of the piers, and then in blue, lines that depict some of the major ways of accessing up into the entry plaza for the primary entry into the arena. There will be a second entry at the pier level, at the lower level, for events that are non-basketball events and that will provide an alternative way into the arena.

We've also been studying the egress out of the venue very carefully because when people arrive to an event, they arrive over a longer time period. They're flowing in in a less congested way over a greater length of time. When they leave an event, they'll want to move towards their destination, either public transportation or some other venue.

We have intentionally designed a number of egress points that will take people to their prime destinations, either south to MUNI, but particularly we have designed channeling of people to the north to have an easy access way that will take them north up to the ferry terminal without having to cross Bryant Street intersection at street level. This is a very important study.

The other thing you can see is that we have about 350 feet wide plaza, which allows time for people to walk around, to think what they're doing next and to not be creating a lot of dense pedestrian traffic right on the street edge. By comparison, you can see the red dots on the right are the two entry and exit primary entry points into the arena. You can see that green plaza and the distance that those points are from the Embarcadero.

In contrast, if you look at the ballpark, you can see that the major exits and entries put you out very quickly onto the Embarcadero, so this will provide more time for people to flow and will reduce the amount of congestion immediately after an event.

This is a detailed view of the intersection at Bryant Street. We are proposing a single entry point in and out of the garage. You can see that shown in blue. You can see the vehicular movement along the Embarcadero shown in the lighter blue color. These primary pedestrian movement lines are shown in yellow. Very importantly, that movement line to the north, which coming from the upper terraces eliminates that point of conflict at Bryant Street. We are studying this in detail.

Peter Albert from MTA - I'm going to talk about MTA's approach to handling transportation, not just for this project, but understanding that there's a lot of change being talked about on the waterfront and how transportation isn't really set within one boundary, but it actually connects whole neighborhoods and it crosses boundaries. The idea of a waterfront transportation assessment is to do that. It's to get out ahead of big projects that are proposed, even projects that we know are coming around in a few months. We're talking a lot today about Pier 30/32, but I'm also working closely with Mission Rock and working closely with Pier 70, and I'm also taking stock of all of the developments that are happening in the general waterfront area.

The reason behind this big picture taking a step back is because we're going to be needing to make sure that the traffic engineers, the transit planners and the community, anybody with a vested interest in better transportation use this opportunity to get out ahead of the environmental reviews, use this opportunity to register community input and give us a head start in solving transportation problems and refining the design of these projects.

We hope that we'll get not just short-term fixes identified, but also identifying and closing long-term gaps and that there's mitigation measures that come out of environmental review to make sure that we have the best projects, not just from MTA, but working with BART, working with WETA, working with anybody who's responsible for moving people in the Bay Area, getting their input now so that we can really shape good solutions, and then finally, to leverage funding and get the timing of these improvements in place as they're needed.

The assessment area that we're talking about is broader than this diagram will show. The three projects I'm already working very closely on are Pier 70, Seawall Lot 337, Mission Rock and obviously Pier 30/32 and Seawall Lot 330 across the street. We don't start from a cold start. We've been doing a lot of work already with the community in understanding how to make the transportation on the waterfront work better. I've been to this commission talking about America's Cup. That was a tremendously important experience. We don't treat that input we got from a good year and a half of outreach lightly.

Even before we started working on this assessment, we rounded up the input that we got from America's Cup, three different phases of it through the progress reports. Then at the CAC meetings for this project and at the September 6, 2012 hearing we got a lot of input as well. On the OEWD web site, you'll see pages and pages of community input that we've managed, we've structured, we put it into mode by transit, by traffic, by parking. That's really helping us shape the beginning of this assessment.

I don't want to downplay how important it's been for us to work with the America's Cup. We tried our hand at new things that have really taught us a lot, for instance, the E-Line, a very popular project that carried maybe 9700 people on just two small parts of a weekend day. That was a pilot project that could have a long-term legacy but there are other innovations.

We're having our bike-sharing program roll out this spring. We actually worked with Parkwide, the bike rental companies, to do a proxy of a bike-sharing program, get that in place for America's Cup, get valet parking there. Even something as intuitive as just better wayfinding and giving pedestrians real-time estimates of how long it takes to go from point A, let's say the ballpark, to the Ferry Building and helping people who are visitors orient their way around the waterfront. That was a huge advantage for us, doing this waterfront assessment. We have already piloted and tried out hand at some solutions.

We had our first transportation workshop for this waterfront assessment. Piers 30/32 were a big part of it, but we wanted to make sure people understood the big picture. What we did before we got into the real roll-your-sleeves-up phase of the workshop was we outlined what this assessment is supposed to do. It's understanding the multi-modal networks that serve this area. It's understanding which projects, not just transportation projects, but big development projects are coming down the pipeline and when, because a lot of the challenge here isn't just inventing new solutions, it's understanding when the solutions already in the books are supposed to be serving these developments as they come online, and then especially to pre-inform the CEQA processes.

To get out ahead of environmental review is an extraordinarily important position for us in the transportation world. Rather than react to environmental review in the last months, we're doing this assessment now even before the EIR started.

We went into breakout sessions. We had a good attendance at this workshop of about 60 people. We broke them into six tables. They had maps. These were residents, these were advocates, these were people who knew the waterfront really well. They pinpointed for us where there were problems. They gave us ideas of issues that need to be solved. We even went through this exercise and said, "Tell us the top six main issues that came out of this discussion." We got back together as a big group, summarized those and set some next steps.

These are some of the graphics that we had. It's important to understand that transportation isn't a snapshot. It's an ongoing development process. For

instance, the transit network that you see in the top is both local and regional. Local is purple, regional is blue. We also showed on dotted lines what we know are coming down the line, central subway, the loop for the 22 Fillmore into Mission Bay, the loop for the central subway coming out of Chinatown. Those are all happening. They're all happening at different times. Part of this assessment is understanding when and what it takes to get them in place when they're needed.

We also looked at the pedestrian network including the Bay Trail. We looked at the bicycle network, what's on the street and what's proposed. Very importantly, we looked at the parking inventory, parking all around this area including north of the Ferry Building, the size of the parking, whether it's lots and garages, and then looking at how they relate to the arterial networks that feed the freeways.

What you get is a map that would otherwise be impossible to understand. It's just too much colored lines and too much network. What it does show is how dense and multimodal this network is. Just for an illustration, these circles that are concentric radiating out of Piers 30/32 show us quarter-mile, half-mile and three-quarter mile radius. We could do that in any one of the areas and tell us anyone who wants to know how many bus stops, how many bus terminals, how many BART stations, what is the distance? That helps this assessment inform the smart and strategic placement of these land-use projects.

In addition to the networks are the list of projects themselves. We identified three different phases, one 2013 to 2017 and then all the way out actually into 2032 because there are different ways of development that we know that are happening and there are different transportation improvements that are slated to come online.

It might be at the end of the assessment we see a need to jumpstart a transportation project because a major development is happening the year before. It's this kind of clarity, understanding what's going on in the land-use realm, the Trans-Bay terminal, the Piers 30/32 project, Mission Rock on one side and then understanding when the essential subway or the Cal-Train electrification and extension or some of the MUNI routes that are coming out of the TP fall in place.

As a sample of some of the outcomes of the workshop, we had six of these maps, six of these summaries. These are the maps that people had written on and told us where they saw gaps, where things needed to happen.

It's hard to read in this diagram. This is to let you know that it's there. It's very public. It's on our web site at OEWD.org. If you look at Piers 30/32, you'll see this. There's a whole list of comments by mode organized as well so we know the transit issues, the transportation parking issues. That's helping us make sure that as we work with engineers, they're actually getting the input from the people who live, work and move about this area as well as their general responsibility in fixing transportation solutions.

The next step, and we're very much at the beginning of this assessment, is the next workshop that I'm proposing to have on December 4, 2012. One comment we heard loud and clear at the last workshop is give us land use information to match this transportation information. We have land use maps, zoning maps, even density maps that will be layered on top of all these transportation networks. Then we can see where people are living and where the networks need to go or how much they're already serving.

We also had a very important comment that resonates throughout all this work. What are the goals and objectives of this assessment? It's one thing to have a bunch of engineers in a room cranking out solutions. It's another to make sure that we understand quality of life, what makes a neighborhood livable, what makes San Francisco successful as a city transit first, the pedestrian priority. Diane discussed the Waterfront Land Use Plan. Those are some goals and objectives that we would already incorporate just like our general plan, just like our transit-first policies then taking that inventory of all the goals and objectives and making sure that they speak to this area, and if they need to, be refined to better address this area would be one of the outcomes. If we have the goals and objectives and all these transportation networks and then understanding when they come online, then one thing that would be really helpful at the workshop is to try our hand at a few solution ideas.

If, for instance, the neighbors gave us top six concerns and we ran that past the goals and objectives and we saw, for instance, "I can't make my Cal-Train because it gets so congested around a Giants game that sometimes the trains don't go beyond 2nd Street very quickly," well there are solutions that we can put in place there. There are all kinds of opportunities where we check them against the goals and objectives. At the end of the day, if we have a process that says we understand the priorities, we know what the goals of the community are and the city, and we understand what's happening and when, both in transportation and land use, our next responsibility would be to come up with solutions that make sense and that get out ahead of the environmental.

I'm very interested in this iterative process, just like we did with the people plan in the America's Cup. We did a draft people plan before the environmental. The environmental kicked in, gave us great data. We fed it back into the people plan. We ended up with a people plan that was smart and an environmental that had great mitigation measures. That is a good proposal and a good recommendation for successfully getting ahead of transportation issues and embedding them in the design of the projects.

Brad Benson, Special Projects Manager representing Port Staff including Byron Rhett on the negotiating team. We wanted to take a moment to explain to both the commission and the public the different phases of this proposed negotiation for the project. The Port and OEWD staff in consultation with the city attorney are working with the Warriors to come up with a conceptual framework for the business deal, which is looking at the cost to rehabilitate Piers 30/32 so that it's

seismically sound and can support the multipurpose venue on it and how the Warriors will initially finance that investment and how the city would repay that investment to public property. Jennifer Matz will go over that in a little bit more detail.

That conceptual framework is negotiated to this point and published in order to support the fiscal feasibility finding. Oftentimes with these projects, the port staff and the city staff will pursue a policy approval of a term sheet concurrent with a fiscal feasibility approval. It was the city staff's suggestion to separate the two. The fiscal feasibility finding, which Jennifer will speak to is what's necessary to start environmental review.

We're all aware of the aggressive schedule that this project is undertaking. We want to make sure at the staff level that we're maximizing the time available for environmental review. That's a very important public participation component of this project. Getting past fiscal feasibility and starting environmental review with all of the inputs that Peter was talking about is going to maximize the public's opportunity to understand this project and all of its complexity.

The next phase of the negotiation is finalizing that term sheet. The term sheet will typically articulate all the major business terms of the transaction. We would hope to bring that term sheet to the Port Commission, and then if approved by the Port Commission, to the Board of Supervisors in the period between February 15 and April 2013.

The issues that we think we'll be addressing that were not currently addressed in the conceptual framework go to a number of important points that I'd like to describe now. First, we're in a public process already with an initial conceptual design that's very exciting. There's going to be comment that we'll get either through the CAC format or through other public meetings that we're holding on the project, and we'll need to refine the project.

We'll be looking in particular at ideas about the potential maritime use of the east berth of Piers 30/32, an important deepwater berth. We're also coordinating with the fire department. We have Deputy Chief Ken Lombardi here representing Fire Chief Joanne Hayes White. We're very excited about the prospect of having the fireboat station at this location but it needs to serve the fire department's very particular mission involving the fireboat so there may be refinements to the project around that.

We're also going to be looking at the historic preservation issues. Red's Java House is a contributing resource to the National Register District so how is that facility treated in the overall development?

Other issues that we'll be addressing. We are contemplating mechanisms to repay the Warriors that would include potential infrastructure financing district proceeds. We'll want to make sure that as we're issuing that debt, to repay the

initial private investments that there is an appropriate level of security around that.

We've used an appraisal process that Jennifer will talk about to come up with the value of Seawall Lot 330 and the ground rent for Piers 30/32. We will be looking in that term sheet negotiation at what forms of participation rent may be appropriate, and generally speaking, how we can repay the private investment as quickly as possible.

Finally, the term sheet needs to articulate the ways in which the city plans to pay for the public services needed to address neighborhood impacts. If there are a number of police officers who are required around the larger events, how specifically is the city planning on paying for those police officers? If DPW crews need to be dispatched to neighborhood streets in and around the facility, how is that funding going to work?

Maybe the most important issue, there's additional transit service required to get people to and from the site and how when MUNI is already stressed financially does the city plan to address those additional transit needs? We'll be working with the Warriors, OEWD and port staff to address those issues and the term sheet context and look forward to coming to you in April or before for your consideration of that.

Finally, after environmental review is complete, we would bring to both the Port Commission and the Board of Supervisors the more detailed transaction documents associated with the project that are typical in a development deal like this, and we would use the period of environmental review and permitting to negotiate all of those transaction documents.

Jennifer Matz - I want to acknowledge for everyone listening that this is a long presentation, and I really appreciate everyone's patience. There's a lot to cover that we have been busy over the past several months trying to develop this proposal from many different facets. We've been looking at the business deal, we've been looking at the uses, we've been looking at transportation and design. It's a lot to catch you up on at once at the Board of Supervisors.

We're going to be doing this at two different hearings. We're going to be looking at fiscal feasibility and the conceptual framework tomorrow, and then we're going to be looking at design and transportation next Monday in an informational hearing. I just want to thank folks.

The next piece of the presentation will feel somewhat familiar to some members of the public who were on the CAC or who have come to the CAC meetings and to members of the commission that I've had the opportunity to brief in close session as I want to discuss a little bit the conceptual framework that informs the fiscal feasibility report that is now before the board.

As Brad mentioned, there was an appraisal that was done on the two sites prior to negotiating the conceptual framework that looked at the fair market value of both a lease of Seawall Lot 330 and a sale as well as a lease of Piers 30/32 that assumed current zoning, but an improved site for Piers 30/32. Those are the values that are then being used to model in the conceptual framework.

The central terms of the conceptual framework that the warriors will privately finance all of the development on both sites and the city will reimburse the Warriors for certain agreed upon improvements to city-owned infrastructure. That reimbursement is capped at $120 million. There's a 13 percent cost of capital return that would accrue on the expenditures made to improve public infrastructure.

What's important is in addition to there being a hard cap on the amount of infrastructure spent, there's also a limited number of sources that the Warriors would be eligible to get reimbursed from. There are three sources: rent credits from Piers 30/32, the sale price of Seawall Lot 330 and new property tax revenue that would be generated by the value created by the Warriors on both sites. It is anticipated that that value would be collected in an infrastructure financing district and available to reimburse the Warriors in a lump sum payment to pay down the infrastructure cost.

The 13 percent cost of capital has attracted a great deal of attention in the past few days, and I'd like to just take a moment to put it in context and to describe it in a way that hopefully eliminates some of the confusion.

The 13 percent cost of capital reflects the cost and the risks involved in financing public infrastructure. What we are proposing in this deal is asking the Warriors to pay for improvements to our property. The cost of going out and borrowing that money is exceptionally high for any developer because it's risky money. That is money that doesn't have a return built into it.

In order to get a return for money that is invested in infrastructure, the entity doing that infrastructure has to do something next. They either have to sell the improved property or they have to build upon it before there's any potential for return, and lenders know that. It is risky to go out in the market and get that money.

In addition, there are two risks that the Warriors bear in the conceptual framework as negotiated. One is if the costs for repairing the substructure exceed $120 million, they will not be reimbursed for that. The second is if the three sources identified do not fully repay them for their substructure spent regardless of what the amount is, there is no other recourse; there is no other bucket to go to for reimbursement. The combination of the cost of the money, of the cost of the funds that are being expended on the city's behalf and the risk being taken by the Warriors when they spend that money is what led to the negotiated 13 percent cost of capital.

By way of comparison, this is not unusual. What's really important to understand is that the city in its common practice and the port too, and I don't want to speak entirely for the port, so I invite Monique in the port to also chime in, when the city asks private developers to contribute to the cost of infrastructure, we do that in order to protect our balance sheet and not put our public finance tools into what are risky public/private partnerships, ones in which we can often find value to repay the developers from the value that's being created.

I'm not sure I said that clearly, but if you look at the Hunters Point Shipyard, Treasure Island, what we're looking at doing down at Schlage Lock, what has happened up and down the port to a smaller degree when developers have been asked to invest in our infrastructure, there is a rate of return on the capital that they spend anywhere between 11 percent and 20 percent in order to take into account the cost of borrowing those funds and the risk that they are taking in improving our infrastructure.

This is really a common practice. In the case of this particular deal when we are talking about repaying at a 13 percent interest, what we are talking about is repaying the Warriors largely through the value that they created, through either the property tax increment that they have created by building vertical structures, by building an arena, by building the open space, by building retail hotel condos on the site that creates the property tax as well as the rent is only realizable if that substructure -- that rent number that I showed you is only available if the substructure is improved.

The two examples here of the Sprint Center and Barclays are not apples to apples because all sports venues that we have investigated are very unique financing structures. What these are examples of are projects in which private equity was invested in a sports facility and in the return that was received by that investor for that investment.

Other key provisions of the conceptual framework is that we may agree on other improvements which would be built and financed by the Warriors and reimbursed by the city through other mechanisms, and one example is the fire station and the fire boats that we're excited to be moving forward on. We think that there are some real synergies in moving the fire boat facility and the emergency services further south and allowing to have those activities co-located on this pier.

The Warriors will pay all development impact fees. We have an agreement that the port will receive 1 percent of proceeds on sales of condos located on Seawall Lot 330 after the first sale. As Brad mentioned, the conceptual framework already benchmarks the notion of having an ongoing funding stream to pay for neighborhood quality-of-life issues. Brad covered the items to be addressed in the term sheets. In the interest of time, it's project financing, it's public facilities and operations as well as the community benefits including workforce agreements.

With regards to the fiscal feasibility analysis, another concern that I've heard over the last few days is that the fiscal feasibility analysis was not adequately vetted at the citizen advisory committee. I presented the findings of the fiscal feasibility analysis on October 16, 2012. The report came out on October 23, 2012 at which time it was distributed to the Board of Supervisors, to the Port Commission, to members of the public and the CAC.

The conclusions did not change from the time I made the presentation. In fact, this presentation that you're about to see is the same one I made to the CAC. It was the same one I'm going to be making tomorrow to the Board of Supervisors. I just want to make that clear.

The fiscal feasibility is just that. It's an early look at determining whether a project is feasible. It is not a determination as to whether a project is advisable. It does not seek to determine how lucrative the project may be or how costly it may be. It is simply designed to be a gate-keeping measure in order to ensure that the city does not proceed with spending a lot of its own predevelopment cost on a project that is not feasible.

In this case, the predevelopment costs are being born entirely by the Warriors. It is not a cost that is subject to reimbursement through the proposal. So that includes both staff costs and CEQA costs.

The fiscal feasibility has five components: You're supposed to look at the direct and indirect economic benefits of the project, the proposed construction cost, the proposed project funding, the operation and maintenance costs of the project and any proposed use of project debt.

The summary of the fiscal feasibility analysis findings is that the project would generate direct and indirect economic benefits of about $19 million annually and $53 million one-time in city fees. The visitor spending would be approximately $60 million a year, and there'd be approximately 2600 construction jobs and 1700 permanent jobs generated from this project. The construction cost is nearly a billion dollars including hard and soft costs. To be clear, those jobs are job year equivalents that would be created, construction jobs during the three-year construction timeframe. Those are permanent, ongoing jobs that would be supported by the project. Project funding -- we just described the basic structure.

Operation and maintenance costs -- the Warriors are going to assume responsibility for all of the operation and maintenance costs associated with Seawall Lot 330 and Piers 30/32, an early look at departmental expenditures. The fire department and Rec & Park anticipate no fiscal impacts from the proposed project. We continue to work with the police, DPW and the MTA to determine the cost impacts of what their ongoing costs would be in order to service this new development.

As described, there is proposed use of public debt. The city may bond against the new property tax revenues generated by the project to fund improvements to

the public infrastructure but the IFD bonds don't obligate either the general fund or the Port's Harbor Fund. They're secured by the development that's on the sites.

In today's action, what we're asking the Port Commission to do is amend the exclusive negotiating agreement, which is the framework for negotiating the business transaction between the port and the Warriors. We're asking that you create performance benchmarks for negotiating the conceptual framework and then extend the dates for the Port Commission and the Board of Supervisors to endorse the term sheet.

One of the concerns we've heard from the public is that his is moving quite quickly and that they would like more input in understanding the overall structure of this deal. We think that pushing these dates back to a target date of February 15, 2013 and a performance date of April 15, 2013 gives us the time to work with the CAC, interested stakeholders, the Port Commission and the Board of Supervisors in order to create a robust term sheet that then answers many of the questions that have been raised.

Rick Welts - My only role here today is to express the commitment and enthusiasm of the Warriors organization for the success of this project. I could do that extemporaneously in about 90 minutes, but thinking you may not really be interested in that. I have some very short bullets that I will run through.

First and foremost we are very excited to be part of the solution to Piers 30/32. There have been, over two decades four very deep-pocketed proposals for this site. We are committed to making this one work and restoring this very valuable piece of the San Francisco waterfront for use by all Bay Area residences.

I think as important to you is that we believe that the project as presented will ensure new and ongoing maritime activity on all three sides of the pier site. Certainly we've talked about the San Francisco Fire Department, fire station, fire boats, water taxis, ferry service, guest docks and, my personal favorite, human-powered craft that will be operating on the south side of the pier.

We have a very special interest in creating the best arena ever envisioned as a multipurpose sports and entertainment facility that will serve as the home to Warrior fans. They are an amazing group. They show up in mass through thick and thin, mostly through thin over the past 20 years that we're trying to change. This truly will set the course for a very successful franchise that we can all embrace in the next 50 years for the Warriors.

One of the things that's always amazed me from a distance is the fact that San Francisco has never had a world-class, multi-purpose arena. There's no city half its size in America that does not have this. As a result, many world-class acts bypass San Francisco. We will now have a home for those acts, those family shows, those concerts and performances that to-date we have not had a location for.

One of our most ardent supporters has been the San Francisco Visitors and Convention Bureau, SF Travel. They see this project as filling a very distinct void in the city's portfolio of facilities that we can make available to draw meetings, conventions and business to our city.

We're going to deliver on a promise of jobs with a project that will create over 4000 full-time positions, 1700 of those, as Jen just described, permanently, and provide through aggressive local hiring and small business commitments a new economic engine for this part of our city.

We will create massive economic benefits, somewhere between $10 and $20 million of annual direct tax and fee revenue to the city, over $50 million of one-time impact fees and $60 million annually in new visitor spending, all of that, again, without any money from the city's general fund or any new taxes.

Last but not least, we want to use this arena as an engine to create a great new public space in San Francisco. One of the great reactions we've gotten to the design that AECOM presented to you earlier and maybe to the surprise of many is that over half of the 13 acres of the Piers 30/32 site will be dedicated to public spaces that every citizen can enjoy.

We're excited about it. I'm happy to share the other 85 minutes of my enthusiasm with you at any point in time that you're interested, but thanks for your time today.

Katy Liddell, Chair of the Piers 30/32 CAC - I'm here on behalf of myself today and I'm not speaking for the entire CAC because actually I don't know them all, and that's why I'm here. As Jennifer Matz told you, she gave us the Fiscal Feasibility Report on October 16, 2012 but we didn't get a chance to talk about it. In fact, we've never had a chance to talk about anything, and that's the problem. We've had three long meetings. They start at 6:00 and end at 8:00. They're mainly presentations where we listen, and then there's some public comment and a few CAC comments and we all go home.

This morning, I went to the CAC annual breakfast hoping I could meet some other of my CAC members because I don't know them. We haven't had a chance to chat. We have not had a chance to discuss this fiscal feasibility study.

I invited them all to a meeting on Sunday; Sunday being a bad day. Six of us showed up but we need time to really look at this fiscal feasibility study. Some of us who have met have a lot of issues; we have questions. We'd like to get together as a group, discuss the study, come up with some questions at one meeting and then have Jennifer and maybe some other people come back at a second meeting and answer our questions.

Some of us will be sending out an email this evening to all of you, to the mayor and to the Board of Supervisors asking for a 30 to 60-day extension so that we can actually have a CAC meeting and talk to each other.

Jeffery Leibovitz, resident in the area - I'm also on the Board of Directors of Portside 38 Bryant. Any of you get whiplash? I know I did. This is breakneck speed project, and I've never seen one like this in San Francisco. The Giants took two years to lay the groundwork to build their 42,000-seat arena in our neighborhood, and it paid off. This is a lot of Hollywood money coming up to San Francisco to muscle their way into our neighborhood, and I want to say that very clearly -- muscle their way into our neighborhood. This neighborhood is a $5 billion investment in San Francisco with 6000 residential units and more on the way. You all know that I was a big booster for the cruise terminal. I thought it was going to be a huge addition to San Francisco and so did our neighborhood. We worked out solutions to complex issues. This has a lot of complex issues and absolutely no solutions. A lot of eye candy is what I see, eye candy, smoke and mirrors, Hollywood. What we need is a comprehensive discussion with the neighborhood, the CAC, not marginalizing the CAC. These people do a lot of hard work and it's volunteer work. They're stakeholders. We're all stakeholders. We purchased our homes there. We plan to live there. We plan to live there with our neighbors. We don't believe that this project if it's left undiscussed, not vetted correctly will work. It won't function. It won't fit in our neighborhood. We need to have a clear dialogue. We need participation. I echo what Katy Liddell has said. You owe it to this community to delay this and delay a decision on this as they have requested.

Dennis MacKenzie, Round the Diamond Consulting and Education - I'm also a San Francisco public high school teacher for the last 11 years. I've provided the city officials, mayor, supervisors, Port commissioners with my proposal to include a high school classroom inside this basketball arena. I've been delivering an update on another phase or component in my proposal many years ago because I believe that this facility can provide some guidance and leadership in our country in order to establish a model of arena where I believe all sports institutions and industries can incorporate the need or our high school and college-age students to be included in these processes. These facilities are inherently educational methodologies of which I've been studying and writing about for 30 years. I provided a letter today that expresses one example that can manifest in the next few years, that is developing a cross-cultural education exchange program which would include the experience of high school, college and business leaders, government from all our Americas, for example, Central America, Mexico, Yucatan, South America. These programs could introduce cross-cultural knowledge and international relationships in a positive, powerful way for our students in this country and other countries to visit here, to join this city and experience this incredible potential facility that once again could be a model for our sports arenas in the future that would include education because I believe it's imperative that we do that. For the benefit of the public who has not heard me speak, my proposal is on my web site, roundthediamond.com. I will include this latest letter on my Web site. I wish everyone well.

Corinne Woods - I am an alternate to the new arena CAC and also serve on several other advisory groups around waterfront issues. I wanted to echo Katy Liddell's comment, which is that we've had a lot of information, a lot of documents to read. I'm sure you've read them all, especially the Fiscal Feasibility Study and all four appendices. It took me a couple days even to download it. This is going too fast. The CAC was supposed to be able to advise the city about how we felt about this project. We haven't had that opportunity. The CAC meetings have essentially been information dumps without the ability to discuss and ask questions. We have had the opportunity directly with Jennifer Matz and other staff people to ask questions, but we haven't necessarily gotten answers. It would be better if you're going to postpone, and thank you for postponing the term sheet, if we could have that opportunity before any of these other documents get approved. The Fiscal Feasibility Study leads into the term sheet. I can't see how this is a good deal for the port. You're losing all the revenue that you're getting from the parking lots. You're losing all the revenue that you'd be getting from rent. While Jennifer thinks that 13 percent is appropriate, we have a lot of questions about that. We would like the CAC to be able to ask those questions and to get answers, and then on an informed basis come back to you with our recommendations.

Michael Ginter, member of Operating Engineers Local 3 union in San Francisco - I'd like to say this is a great project and enhancement of the waterfront. We have over 400 members in our union that are out of work right now that are losing their homes and their health insurance. They need this job to protect their future. It would create great jobs for everybody in the city. It's a win/win situation. It's a great addition to the city, and it would give jobs to the residents also.

Feng Chen - I am a member of Chinese Citizen Alliance and I'm here to speak on behalf of the proposed projects. I've lived in San Francisco for many years, and I think it's important for San Francisco to have its own basketball team. I know that Golden State Warriors was once part of San Francisco, and it's time to bring them back to San Francisco. I believe this is a good use of the port land otherwise this land would be unused. I also believe that it would be very good for business in an area that gives our city more revenues and tax dollars to support the service that we need. I hope you will support this project.

Rachel Xie - I want to start off by saying that I like basketball, but this project is much more than just basketball. It is a place for music and cultural events too. Right now if there is a Chinese pop star who will want to come to the Bay Area like Yao Ming, he cannot come to San Francisco. He must go to Oakland or San Jose. I would like San Francisco to have the same opportunity as these other cities to have the type of music and cultural events that make the city so great. It is the best way that we can celebrate the diversity of San Francisco. Please support this project.

Henry Karnilowicz - I'm the President of the San Francisco Council of District Merchant Associations. We have a golden opportunity to have the Warriors

move back to San Francisco. For years the piers have been deteriorating, and we have not been able to afford to rehabilitate them. I look forward to seeing the Warriors return to San Francisco. Not only will our piers be rehabilitated, but we will also have an awesome arena that will not only be for playing basketball, but also for the performing arts. There has been a lot of talk about the traffic and what effect that's going to have on the neighborhoods. I can tell you a couple of things about people driving and so forth. I have a daughter who's 22 years old. She doesn't have a driver's license; she doesn't drive. She takes the bus everywhere. I thought she must be about the only one; not the case at all. I've talked to other people, and they told me the same thing too. They said, "You know, the younger generation, they don't really want to drive everywhere. They're quite happy to take the bus or maybe go with friends." Also it's good for small businesses, not everybody will come to the arena just to see a show. A lot of people like to go to explore. I travel quite frequently around the world. When I go somewhere, I'll rent a car if I want to go out of town. But when I'm in town, I take public transport. I was in Seattle recently, and I loved it. I went all over Seattle, to the waterfront, out to the Japan town, Chinatown areas, and I just had a great time. I do that all the time. It's a great opportunity for us to have the arena over here, and it's going to be a landmark. It's going to be what I look at like Sydney has with the opera house. I recall back then when people were saying, "Oh, the opera house, what a waste of money it's going to be." Now what's the first thing when you think of Sydney? You think of the opera house. I look forward to this arena being built.

Jai Hao Bi (through an interpreter) - I hope we can lower the price of the arena tickets so we can serve the community of low income and diversity. I was also hoping the games could be arranged on weekends and weekdays so more people would be accessible to the games on Saturdays and Sundays.

JiaLi Huang - I'm a member of Chinese Citizens Alliance. I'm speaking today in support of the arena project. I believe that it's good to have more open spaces around our water so people can exercise like Tai Chi, and there will be place for seniors to rest. Without this project, they will not be able to use this space. This is very important for the city to do, and I hope that you will support moving the project forward.

Charlie Walker - We've been doing a survey and I'm here today to provide some information. In the Bay Area, and particularly in San Francisco, you've got AT&T Park. They're building a football stadium. You had Candlestick Park. I'm amazed but not amused but there is not one African-American that owned a concession in no park in the Bay Area, not one. They're building these stadiums, and this accounts for how black people have been driven out of the City of San Francisco. When I went into the construction business, there was 152 African-Americans in the construction business. Now there are only five. Most people will say, "Well how the hell did that happen?" It was very simple and very easy. We figured it out. They don't pay them on time. They don't own concessions. They always had circuses where black people were in the circus as the tallest, so-called N word with a ball in his hand or gladiator or something. We've got

them on the football field. We've got them on the basketball court but we don't have African-Americans in business. It doesn't matter what anybody in here says, you can't dispute what I'm saying. I've done a survey for two years. Not one black person on the concession, and not one of these stadiums from Oakland to San Francisco, from San Francisco to Los Angeles. I'm a disabled American Veteran. Some of these cowards in this room would not fight for our country, but they get the luxury from it, but I was overseas during the war for 31 months. I was in the Air Force. I was in two plane crashes. I came back home. My grandson is a lieutenant in the Army today. There's something wrong and you can't say it's not the basic way that this country is being -- and I don't care if they got a black president. It hasn't changed for blacks, particularly in San Francisco. San Francisco is the most racist, bigoted town in America. If you don't believe it, go to the Hall of Justice. The highest rate of people put in prison in America is blacks in San Francisco. There's something wrong with the way this system is being administered. There's something wrong with the ex-slaves and how they are still being treated in 2012. I would humbly ask you to not build a stadium or anything in this city until you get the ground rules straight. Can blacks have a concession in the stadium? Can they work in the construction industry? That's all I'm talking about. If we can fight for this country and die for this country, we're entitled to everything it affords and it is not doing it.

Paula Kindrachuk - I'm here because I'm very disturbed about the aggressive schedule that's been happening with this particular project and the Warriors Development Group. I'm a neighbor. I live on Brannan Street. I'm very concerned about the traffic, the public safety, the access to emergency services with this project in addition to the Giants. We're talking about probably 250 to 300 days a year that we have increased the population in this area. We're already extremely densely populated with citizens of San Francisco. The project itself looks lovely. I don't think this is where it needs to be. There are plenty of places to put this without putting it in one of the most densely populated areas. When the Giants are in town, we're in lockdown. We can't go anywhere. We cannot take MUNI as has been suggested. You can wait for three trains before you can load on like a can of sardines. It just doesn't work. I'm very concerned about this 13 percent interest for the cost of this project. It seems to be very high to me.

Manual Flores - I've been a long-time member of the Local 22, the Carpenters' Union, going on close to 33 years. Over those years I've seen a lot of projects. The designs I see for this one, this is what you call a smart development. What does that mean, "a smart development?" I'm talking about a world-class arena, for us, jobs. But I'm looking beyond the jobs, what this can do for the city and county of San Francisco. I believe the team is well aware of what they're up against. It's an uphill battle, but they're here rolling up their sleeves, good economic sense, and it can be done. We're going to get a lot of noise. We're going to get a lot of dust. We're going to get a lot of traffic, no doubt. Somebody's view is going to be blocked but at the end of the day, this can work, a first-class arena for the City and County of San Francisco. That's what we

need. That's what we deserve because this is a city that knows how. No doubt they know how to do it. I look forward to more of these discussions.

Ron Miguel - I'm a member of the Piers 30/32 CAC. There was a comment regarding the volume of material, maybe because of the number of CACs I've served on as well as five years on the Planning Commission, that's part of the job. Wait till these people see the EIR is all I have to say. That's part of the job, and it does take time. It takes a lot of time. That's why citizens serve on CACs and commissions such as you are doing because they're willing to put the time in. Katy Liddell was absolutely correct. The CAC so far has been nothing but a public sounding board. We've taken the public so you wouldn't have to, to be very truthful but that should not be its purpose. It is my hope, and I've been talking to Katy and others on it, that at least come January we will start to function as an actual advisory group. I believe we can do so very effectively. There has been a misconception regarding what a fiscal feasibility study actually is. I know this from the large volume of email conversations I've had as well as a number of private conversations including some this morning next door in Pier 1 at the Port's CAC breakfast. People do not understand what it is. Either Commissioner Katz or Sue Hestor can correct me, but I believe it was put in place by then Supervisor Aaron Peskin as a sort of baseline so that the city on large projects would be able to say, "Hey, this can pencil out or it just can't." It should stop some fly-by-night stuff that people tried to propose and it serves that purpose. It's vetted by Harvey Rose, who doesn't say aye or nay and merely says, "Yeah, it can fly if all of these things come into place." They come into place at the time of the terms sheet and the last negotiations. In my opinion, the fiscal feasibility study is like an EIR. It takes the big box and says, "Let's study everything in the big box, see whether it's possible, what are the mitigation," and then build within that box. The same thing with the fiscal feasibility study; it's to take a look at it and then come down to the actual terms. I know it is a very aggressive plan. A concept to play in an arena in 2017 blew everyone's mind and still does. I don't know if it can be done; I really don't in this city but there is a responsibility of the CAC, of the commission and certainly the Board of Supervisors to see whether it is possible. I look forward to the process so long as people understand that this city works by process and usually does it pretty well.

Eric McDonnell – I'm wearing three hats actually. I'm a resident, I am the Chief Operating Officer for United Way with the Bay Area, and I'm a member of the CAC for Piers 30/32. With that first hat, having grown up in the city that this is a tremendous opportunity on a number of fronts in terms of both economic development, growth, revitalization of a section of our city that should welcome that revitalization. As a COO of United Way, what we're focused on is reducing poverty. I think it's an enormous opportunity to create jobs and economic vitality and growth for individuals in the community. I certainly would echo the issue around access, not only to African-Americans, but other minorities in terms of the workforce and opportunities. Lastly as a CAC member, I would echo the last person's comments that, one, the fiscal feasibility simply says there's room for discussion, in my mind, very much like a grand jury, which says the trial can go

forward. It doesn't presume guilt or innocence on either side. It gives room and space for the trial to proceed. From my perspective, the fiscal feasibility study does just that. It gives us room now to allow the trial to proceed and the process to determine whether to go forward. I'm confident that the CAC, while we haven't had opportunity, as was mentioned, to dive deeply, that it is the right forum and the right space, and we have some work to do before us in terms of carving out time to dive deeply on all of the issues that have been identified and then prepare and present a set of recommendations that I believe will allow the product to move forward.

Gayle Cahill - My husband and I live at 88 King Street, which is about two blocks away from Pier 32 and Seawall Lot 330 development. I echo a lot of what my neighbors have said about our concern about the speed at which all of this is hurdling forward towards approval. I was struck by one of the things that Jennifer Matz said when she talked about some of the things that they have had, which is a discussion of business terms and financial aspects and things like that but there's not been a mention of the community input and the way that the Community Advisory Committee has essentially been disempowered and been put on the sidelines so that there's been no meaningful input. I looked at the 13 percent rate of return, and I have some concern about that. I've taken in what's been said today, and I'll continue to think about it. I looked at the EPS statement which was provided today to some members of the public to back up why 13 percent is reasonable. One of the things that struck me is that Dan Barrett of Barrett Sports Group is one of the people who cited in that report as saying 13 percent is reasonable. I did a little online research, and Mr. Barrett has had extensive research in projects like this, multi-use sports arenas and other similar facilities. One of the things he says is recently in September of 2011 when he was talking about the Kings Project in Sacramento, he said that the city must be careful to do its due diligence on projects like this. More particularly, with opportunities like this come risks and challenges. Those risks and challenges have to be weighed very carefully before you move forward. I do not feel like the current process is giving due weight to the concerns of the neighborhood whose quality of life is going to suffer terribly, in my opinion, unless certain impacts can be mitigated. If this project is going to be so great for San Francisco, and I hope it is, my husband and I have Warriors tickets, we would respectfully request that there is nothing wrong with putting it in front of the citizenry with due respect and respectful deliberation.

Sue Hestor - I got my feet wet in this area by participating in the Giants' project that went on for several years. The Giants showed us all how it is done. They worked with the community of their neighbors, the broader community of the city. The EIR took a couple years at the Port and the Planning Commission and the Board of Supervisors, and this is after they were on the ballot twice, and there was a huge discussion. Instead, we have a cooked deal. I don't know how familiar you are with what you are voting on. You are voting on a schedule. You are voting on rejecting the EIR alternatives. The study that you have before you, and there are many studies, the conceptual framework says the port rejects out of hand at the start of the process and the alternative site, especially any site

north of here or south of here. North of here is fully developed. No one in their right mind is proposing an arena north of the Bay Bridge but the Port Commission is voting to reject alternatives. You are setting a schedule. You have heard at the beginning of the calendar that members of the CAC are saying, "Wait, this is coming too fast." It is hard to participate as a member of the public for those residents in the area to participate when this is coming so fast. There is a lovely organization from everyone who made the presentations for the Warriors and the Port and OEWD to every meeting that the CAC has. What are you voting on? Additionally I just want to say there are no renderings we've ever seen of anything about how the stadium or arena looks at from where people live coming up the Embarcadero on the west side. They are planning on a mounding, and a mounding is going to affect people's views of the bridge, people's views of the waterfront. We are going much too fast. What are you voting on, folks? You should ask your staff what schedule and what assumptions you're voting on for alternative sites.

Commissioner Katz - I appreciate all the presentations and all the comments that everyone has made because several of the speakers alluded to that's one of the great things about San Francisco is there's so much participation in everything. A couple of the speakers also articulated a bit more about exactly what the fiscal feasibility study is, what it does. If you could detail that a little more, explain the cost of capital versus rate of return, and then also give a little bit more information of the schedule and how the CAC will be able to participate after the Fiscal Feasibility Study. If it goes forward that the CAC will have the opportunity to weigh in on all the issues that people have raised.

Jennifer Matz - I want to acknowledge that this is an accelerated schedule, and it's because we were presented with an opportunity. I understand the anxieties and concerns and apprehensions of neighbors whose neighborhood would change if this project is developed. We want to embrace those concerns and work with them constructively in a very deliberate fashion. What we are also trying to do is make sure that this opportunity remains a viable opportunity for the city and for the port. In order to do that, we need to move on two parallel tracks. I do not think that one precludes the other in any way. The Golden State Warriors want to move forward and start the environmental review process which will begin to scope and ask the questions around what are the environmental impacts, which are quite similar and overlap and dovetail very much so with what are the community impacts? Then it will start to address what are ways to ameliorate or address those impacts? That's where we will be getting opportunities to look at how a neighborhood can evolve and respond to this opportunity.

It's only when that process begins that we can start answering those questions. We can identify what the challenges are, but we can't start proposing potential answers to those unless we're doing it through the EIR process. This is very much a beginning process. I absolutely acknowledge -- in fact, my colleague, Brad, and I were talking during some of the public comment that Katy Liddell is absolutely right and the other CAC members. It has been a deluge of information

to bring citizens who are not necessarily well versed in real estate development and public-private partnerships up to speed on what's the Waterfront Land Use Plan? What's a Special Area Plan? What are pro formas and term sheets?

In an effort to give as much foundational information as possible, in order to get to right where we are, which is truly a beginning, there has been a lot of talk. We are absolutely committed to moving forward in a public CAC process in whether it's in a more workshop format, whether it's in a format in which there is less formalized agendas but more opportunity for free-flowing discussion, ways to make public comment in those CAC meetings more productive for everyone and are sort of gathering those public comments and then responding thoughtfully. That is something we are willing to do in the many months ahead that face this project.

I want to emphasize that the 13 percent reflects the cost of capital that the Warriors have to go out and borrow in order to invest in our public infrastructure. The city uses its balance sheet and its ability to publically finance infrastructure for things like roads and parks and a hospital and a new public safety building such as Laguna Honda and Moscone expansion and the cruise ship terminal. We invest in our public infrastructure all the time, and we do it on things that benefit the public broadly.

When we have opportunities to allow a private partner to take the risk of infrastructure improvements and then be repaid through the value that they create, we protect our public finance tools for those things that only government can fund. We think that continuing a model that's really been perfected under redevelopment in which the value that is created is reinvested to pay back our private partners for the infrastructure that they pay for is a good model to try to emulate on a specific case-by-case basis. It is one that has been used with success in some variety of way in Mission Bay, on the shipyard in Treasure Island and it's one that we continue to look at for our other waterfront development projects.

Brad Benson - The other part of your question was what is the fiscal feasibility analysis? Jennifer went over that in her presentation. It's a series of very explicit questions asked by the administrative code, are there enough sources of funds to pay for the plan's project? What are the economic and workforce impacts of the project? It's really a citywide look. Because it's sort of a city economic analysis of these major projects, we typically don't ask the Port Commission to endorse the Fiscal Feasibility Report. We have an informational hearing like we have had tonight. Then it goes on to the Board of Supervisors that actually takes the action under Chapter 29.

Likewise, we have never brought a Fiscal Feasibility Report to a Citizens' Advisory Committee of the port. It's been a staff-generated document, sometimes with the help of consultants. We certainly share those reports with our interested CACs, but we're not asking them to review and comment on the CAC, not that we won't do that with this CAC. There's obviously a level of

interest, and we want to honor that level of interest in the Fiscal Feasibility Report.

The only action before the Port Commission today is to slow down the schedule for the term sheet. It was contemplated that we would be in front of you seeking a term sheet approval right about now. For all the reasons we mentioned earlier in the presentation, we think it's important to slow that down and consider coming back in February in that period between February and April. That's the action in front of you tonight.

Commissioner Katz - What I was getting at for the people that are concerned that the opportunity is still there. This is not weighing in on most of the issues with respect to final plans with respect to transportation or views or anything else that comes up. It does open up the opportunity to start the EIR process where that is all weighed in. We certainly hope that San Francisco in its inevitable fashion, people will weigh in. As Jeffrey, you pointed out, it often makes for a better project. It may not always look pretty, but people do care about the city. It will be helpful for everyone involved when that process can really start and we can get that kind of feedback as things move forward.

Commissioner Adams - I'd like to have Rick come to the microphone for a minute. First of all, I know you've heard all the comments here today, the good and the bad. People have some concerns. Going forward, I know that it seems like you have a commitment to want to address the concerns of the citizens, the people of San Francisco. Would you like to say something about that? It is important to hear what the citizens of San Francisco have to say. I know these are some real issues. Would you like to say something to that because I know you want them to feel satisfied because this is a joint effort not only with the Warriors, but also the community involved as a partner?

Rick Welts - Thanks for that opportunity. I think our interests coincide. In Jennifer's presentation, she indicated that the Warriors ownership group will be funding this project to the tune of $1 billion dollars and that is being done privately. For that project to be successful, it's truly unprecedented. Even some of the examples we looked at and some of the discussion there and talked about the Sacramento Arena or the Brooklyn Arena, we're talking about hundreds of millions of dollars of public investment, public tax dollars in those facilities. This is a very different proposal from those that have been referenced here.

In order for that project to work, we have exactly the same needs. We need transportation to work. We need parking to work, because if not, we're making a really bad investment. For the most part, the concerns expressed very much represent the things that we have to tackle and get right. We are committed to the public process.

We've heard a lot of references to how quickly this is going but I don't think there's been a meeting or a request for anyone from the Warriors or anyone on our team to be somewhere and to talk that hasn't been fulfilled and won't be

fulfilled going forward to make sure that we get the benefit of that input in creating a project that will be successful, not only for the city, but be a good investment for the Warriors.

Commissioner Katz - I know you've heard some other comments too about minority businesses participating, and we hope that you'll take that to heart if things progress in terms of looking to hire tenants in some of the other facilities.

Rick Welts - It's certainly heard.

Commissioner Brandon - I personally think this can be a win/win for everyone. I think that this could be a great project. I think that we have not done a good job in giving the information to the community that they need. I think the CAC is extremely valuable to us, and we have depended on them on all of our projects. We want to hear your opinions, good, bad or indifferent. We want to hear what you have to say. As Jennifer said, we need to do a better job. One thing I didn't hear in the presentation was the future community meetings and all of the opportunities for people to give input. I would add at least one or two more CAC meetings to this agenda just to make sure that we are getting the input that the community is involved in this project because it could be a win/win for everyone. I also was lucky to be here when the Giants were going through this, and we heard some of the same concerns. We're never going to make everybody happy, but we really want to try. The Giants have been such great corporate neighbors, and I know that the Warriors will too.

Doreen Woo Ho – I want to thank the public for all the comments this afternoon and also the Port staff and OEWD. We have been having ongoing discussions. There are a lot of questions out there. Some of them have been raised by all of you. We do have to put the fiscal feasibility study in the right context. It's not the end; it is the beginning. There are more questions and more facts that have to be developed. We have lots of questions in terms of timing and understanding how the financials actually work in the long run in terms of cash flows and other things.

Some of it on the surface may look worse than what it is, and I think we are here to make sure that as we understand the process and get the information that the financials do turn out. As Commissioner Brandon said, this is a win/win.

I echo my fellow commissioners in terms of what's been said. The idea of having more meetings perhaps with the CAC and scheduling because the pace and the schedule probably is going to continue to be very fast. We certainly can do something about the opportunity to have more dialogue with the community and to spend the time, if necessary, to make sure that the understanding is there and to have the feedback that is necessary. That is a legitimate concern and request, and we hear you. We're not voting today on any final terms. We are not endorsing anything. That's not the request in front of the Port Commission today.

I want to assure you that we have raised a lot of questions ourselves, and we know that we have to get the answers but there is going to be enough time to get those answers. We want to make the public feel assured that we're as concerned on some of these things. We feel that the partnership between the city and the Warriors, the port, and everybody has all got the best interests. We worked very hard, and we believe there's enough time to get us to the answers and to meet the schedules. We're going to remain optimistic on that behalf.

As some people have said, the process is important. The public process is extremely important to us. We are going to respect it. What's happened so far should not be taken as any disrespect for that process to hear from the community. We just need to do a better job and also making sure that we can communicate what you have and how we are addressing those concerns on behalf of everybody involved here.

I have a couple specific questions. One, I wanted to understand the resolution. We're talking about creating the performance benchmark for negotiating the conceptual framework. Jennifer or Brad, please explain exactly how to give a better definition of what we mean by performance benchmark.

Brad Benson - The exclusive negotiating agreement is a document that governs the negotiation between our development partner and city staff. You approved a resolution authorizing city staff (Monique and Jennifer) to enter into an exclusive negotiating agreement with the Warriors. That happened this summer. That document set forth a series of target dates and performance dates for different steps along the path that we're on right now. One of those dates was when the term sheet would be approved by the Port Commission and the Board of Supervisors. The way it was laid out in the exclusive negotiating agreements that you approved this summer was that term sheet approval would happen concurrent with the Fiscal Feasibility Report, which is, as I stated earlier, typically the way that we do it.

The amendment in front of you now would change the target date for the term sheet approval to February 15, 2013. The actual performance date, which is the outside date by which it would have to happen under the ENA to April 15, 2013. That gives us the additional time between now and those dates to negotiate the added detail in the term sheet that would go to participation component on the business side, how some of the community services are going to be specifically funded and the other issues that we mentioned earlier in the presentation.

Doreen Woo Ho - My other question, if Peter Albert is still here, and I appreciate that we have this process going on in terms of understanding all the transportation mediation and impacts going forward and since we've had experienced America's Cup twice. I'm wondering in the interim in terms of in the mode of continuous improvement, given that we already have some congestion that we already experience on the Embarcadero, what are some of the steps that can be taken for the neighborhood and the community now rather than waiting for all the studies to be completed? We probably had some findings

already out of some of the recent experiences with Fleet Week and everything else. What is your department doing to change it, whether it's the traffic lights or even the routes going as far as do we take away needed parking and create more traffic lanes? Some really outrageous ideas like that.

Commissioner Katz - Or bike tracks.

Peter Albert - What we found out is that the opportunity to pilot has been invaluable because working with the America's Cup, some of the data that we're getting now is pretty extraordinary. BART alone carried 250,000 more people than it typically does and that was during the Giant's celebration day. We tracked that because the most important tool I've been working with since planning for America's Cup is creating the Incident Command System. That's not just a once-in-a-while team that gets assembled to figure out how to make things work. San Francisco is an extraordinary city with huge opportunities and hosting responsibilities. It's an international city with a lot of visitors, to build an MTA, a function that says, "What's going on week by week? Do we have an overlap of events such as the Hardly Strictly Blue Grass Festival or Fleet Week? Will we have overlaps with the Giants and the 49ers as we did? How do we marshal the team? How do we marshal the parking control officers and the transit?"

One of the things we learned off the top is that we can do it. It takes a lot of heavy lifting and it takes a lot of resources. We also learned, how you make it more sustainable so it doesn't require such a Herculean effort to get that level up, having the street cars and the buses readied and in a good state of repair so that we can run them out so there are not breakdowns, requires lead time going into these events. It also requires us to look at the procurement cycles, get ahead of when we need more buses and trains so that we have a milestone of this cycle buying this many extra vehicles.

We're looking at that now. We've already had one workshop with the community and the one we're having in December. These are opportunities to make sure that we're on the right track with what their experience is.

A woman today talked about the experience of going on really crowded trains to Giants' games, which I experienced as well. I also found how much more opportunity we have so that there's more trains, there's more frequency, more reliability, what it takes to make that work, and how do we build that into our finance mechanism?

As I work with Jennifer and Brad, MTA is very much at the table as well, understanding what are the operation costs as well as the capital costs. With America's Cup, we have great cost information. I could tell you at a later presentation, what it takes to be ready for next summer. That is not being wasted on this effort as well. I'm just lucky that we have the America's Cup experience to get out ahead of the planning that we're doing right now for the waterfront.

I always talked about that as getting us through these events. Now I'm talking about the permanent, long-term legacy. I hope sharing this data, understanding the costs, not just capital, but operating, is very much part of how we're getting ready for next summer and ultimately how we're getting ready for the next 20, 30 years.

Doreen Woo Ho - Thank you. I thought that something like that was happening. We just needed to make sure that we share that and the public hears that because we have learned a lot. Those experiences have been very invaluable to the city. If we consider more things that are happening because some of these issues are happening today, we don't have to wait for the new arena to experience this.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 12-89 was adopted.

B. Request approval of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet and authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002). (Resolution No. 12-90)

Brad Benson, Special Projects Manager representing a port team who has been negotiating this item including Byron Rhett, Grace Park, Nate Cruz and Trisha Prashad, - In the audience are representatives from PG&E with whom city staff has been negotiating, Darin Polsley and Ontario Smith. We've been to you in open session describing this project. It's an important transmission project designed to provide reliability of power downtown in the event of a major earthquake.

There are a couple of transmission lines that come up from the peninsula through the Potrero Power Plant and connect to the Embarcadero substation that provide power to downtown. PG&E has proposed a new 230 kV transmission line to provide a redundant transmission line to the Embarcadero substation. PG&E and port staff have collectively communicated with the Mayor's Office, the San Francisco Public Utilities Commission and the city administrator about the project. The city administrator was charged by then city administrator, Ed Lee, to look at these types of risks to the city in the event of a major seismic event and how we protect against them and has weighed in in favor of the project.

PG&E is looking at a number of proposed routes. One proposed route, if approved by the California Public Utilities Commission, would involve submerged port property. This is a map showing the potential routes between the Potrero substation and the Embarcadero substation. You'll see the submerged route in blue. It would essentially enter the bay just a little bit north of Pier 30 and south of Pier 28, go along a route that is very close to the current

Trans-Bay Cable Route, but several hundred feet away, and then leave the bay at 23rd Street connecting to a new substation right near the Potrero substation.

There are two other routes that PG&E is looking at through the CPUC process. They're shown in red and green. The big difference between these routes is that the submerged route would require construction activities along about seven city blocks, whereas the other two routes would involve major construction activities along 40 city blocks.

It's a complicated project. It's an expensive project. It would involve about a three-mile cable run, either submarine or underground. It would connect to a new 230 kV bus at the Embarcadero substation and that's being constructed as part of a separate project. It would involve a new 230 kV switchyard on a portion of the former power plant site that is now owned by GenOn. PG&E is in separate negotiations with GenOn to acquire that substation parcel.

As I mentioned, it would enter the bay along 23rd Street. It would go north along the TBC route and exit the bay just north of Pier 30. In both locations where it's entering and exiting the bay, PG&E would use something called horizontal directional drilling or HDD as a means of creating a duct bank that would go from the under-street area where the cable would be laid to underneath the bay and the bay muds and then exiting the bay, and then it would be laid across the bay floor. That bay floor route is about 2.8 miles.
This is a heavily regulated project under the jurisdiction of the California Public Utilities Commission. They would be the lead agency for purposes of conducting CEQA work. Both the city and the port would have a number of permit approvals, either encroachment permits or building permits. There are a variety of state agencies including the Regional Water Quality Control Board and BCDC that would have to approve the project in all likelihood. The Army Corps of Engineers would weigh in as well. These are federal waters, and they have jurisdiction over construction projects like this in federal waters.

We have negotiated a proposed term sheet that includes the use that I have described, about a half a million square feet of submerged land that would be used to actually lay three separate cables. It would be a 40-year term agreement, that being the projected life of these facilities with an option to renew for 26 years.

Annual rent would be established by a formula that is described in the term sheet. It would be based on appraising industrial upland land. We're currently projecting that land value will be between $50.00 a square foot and $75.00 a square foot. Based on the formula in the term sheet, that would generate about on the low end $583,000 in rent to the port, and on the high end, $872,000 to the port, which would be indexed thereafter.

One of the major public benefits that we've sought in this negotiation with PG&E is a port option to buy the Hoedown Yard, which is right near the Pier 70 site. It's right adjacent to the Pier 70 site. Using this appraisal, depending on whether it

comes in on the low end or the high end, our option to buy it would be $6.5 million on the low end to $9.8 million on the high end.

There is a companion to the term sheet which is a negotiation agreement that we offer to enter for deals like this. Under that negotiation agreement, PG&E would reimburse the city for port staff and city attorney costs.

This is the Hoedown Yard. It's the two parcels on the top left of the screen. It's separated by Michigan Street, which is a public trust street on port property. On the left of the parcels is 23rd Street, and above the parcels is Illinois Street. What you see in the cross hatched area is the waterfront site where right now port and OEWD staff are negotiating with Forest City about the development of the waterfront site. What's on the Hoedown Yard right now is a dirt recycling facility, PG&E trenches for utility projects around the city. They bring the dirt to this location, they store it, and then when they want to put it back in the ground they retrieve it from the site.

We view this use as not compatible with the level of investment that we're seeking in the waterfront site, and that's why this would be a good site for the port to acquire. What you see in gray here are the historic buildings at Pier 70, Building 113 and 114 and the other amazing historic resources along 20th Street.

The project schedule is also aggressive. If the Port Commission chooses to adopt the term sheet tonight, PG&E would initiate a formal CPUC application this month, November 2012. CEQA review would occur for the next year following which resource agencies would contemplate permits for the project.

Installation of the on-shore cable portion of the project could happen starting as early as December 2013 through May 2015. Offshore cable installation would probably happen in that 2015 period following that. Operation of the project could be in place by December 2015.

Port staff recommends approval of Resolution 12-90 authorizing the port to enter into the term sheet and the negotiation agreement. As we did with other projects of this type, port staff would be involved with the environmental review of the project and review the work done by CPUC. If the project is approved by the Port Commission, they will be co-applicants to other permits required for the project that involve port jurisdiction.

Joe Boss - I live in the Dogpatch neighborhood. I'm very involved in many things the port has done over the years and a lot of things having to do with power. I served on the Mayor's Power Plant Task Force for 10 years. The reason for that group was to try to work something out where we could get the older generation taken care of and taken down, which we did. Well we didn't, everyone did. Part of that was the Trans-Bay Cable. While we were going through that, we learned the fact that the connection for downtown, which is a different voltage from the rest of the city, would have a real problem if they lost that switch yard. So our conclusion at the city side was maybe the city could put in a transmission line

from Potrero to where this is going at 2nd and Folsom but the PUC does not have real borrowing capacity. So that idea didn't fly. The reality is that we need that connectivity. We need that redundancy. Of all the people I ever dealt with at PG&E, he's very straightforward and I think sometimes gets in trouble for being so outstanding and forthcoming. I've read through the term sheets. The only thing that we've had a concern with in Dogpatch is that there's no fencing around the switchyard. It's kind of an ugly looking thing as you go down Illinois, as you down the blue greenway, and I could go on and on. I was hoping that as part of the deal, PG&E would be required to put walls around it. It is noisy, it does hum. You can hear it from about two blocks away. The Hoedown, that's great going away because it constantly generates dust in that area. I highly am supportive of this project with that one thought that we really should think of enhancing the port's property since it is also the entrance for city and anyone else will be using.

Commissioner Brandon - Brad, you didn't mention the public benefits.

Brad Benson – With Commissioner Brandon's help, the Port Commission adopted a southern waterfront community benefit policy a few years back. That policy requires that leases in the southern waterfront, and this facility would fall in that area, have to set aside 8 percent of their revenue for public open space and other public purposes described in the policy. That contribution from this project is estimated at $50,000 a year and growing as the rent grows through the entire 40-year term of the lease. This project is going to throw off a lot of money to improve the southern waterfront area. We also view the opportunity to acquire the Hoedown Yard, which is right next to Irish Hill as another benefit that can be brought to bear for the benefit of the Pier 70 project. We will work in the CEQA process to look at the impacts of the project and see if there are other opportunities to advance community benefits through that public process.

Commissioner Brandon - I have one question for the PG&E representatives. If we were to exercise that option for the Hoedown Yard, do you have another location that you would most likely move it to?

Darin Polsley, PG&E - We are studying that currently. We don't have one location. We have a few different options. We've even talked to Brad a little bit about possibly some other port properties that might be able to house that use. We don't have one site; we've got several.

Commissioner Brandon – Great, do you want to throw in a chain-link fence for Mr. Boss?

Darin Polsley – I don't think that's what he's talking about.

Commissioner Brandon – He's talking about walls.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 12-90 was adopted.

C. Informational presentation on the Fiscal Feasibility Analysis of Pier 70 20th Street Historic Buildings Term Sheet with Orton Development Inc. ("ODI").

Kathleen Diohep from the Port's Planning Development Division - I'm the project manager handling the Pier 70, 20th Street historic buildings. I'm going to go through this pretty quickly because I've been here a lot, and you have a pretty good context about these buildings. My colleagues gave you a thorough education about what Fiscal Feasibility Assessment is about. That's the step we're at today with the 20th Street historic buildings. Pier 70 being south of Mission Bay.

On October 9, 2012, the Port Commission endorsed a term sheet that we had negotiated with the Orton Development to these buildings. Today I'm here to report as an informational item on the Fiscal Feasibility Analysis.

Later this month, we will be in front of the Board of Supervisors asking for their endorsement of the term sheet. They're finding that it's prudent to go forward with environmental review, and that's what the fiscal feasibility question is. Is it the right thing to do? Are there enough benefits?

As you know, this was to save these six buildings. This project's going to create approximately 400-500 jobs. Most of the fiscal benefits all come from the business activity associated with those jobs and those businesses.

Rather than going through much detail, I thought I'd explain we keep this in large part to looking at the American Industrial Complex right next to it.

This project's about 250,000-300,000 square feet of space. That project's 800,000 square feet of space. It's going to be a similar mix of uses. We're able to use some real data. We also worked in the idea of being fairly conservative. For example, the presentation on the Warriors looked at the indirect benefits, the spending of the businesses and other businesses. We know that'll happen. We didn't go as far as quantifying it, in part, because the major public benefit of this project is saving these historic buildings.

There is a public investment of $1.5 million, and there will be tax revenues generated to the city. The Port has a rental stream from it. The big benefit we're getting is saving these buildings. They constitute $100 million plus of our unfunded capital deficit. We get a chance to bring them back.

Here are the numbers for the general fund. If you don't include the property taxes, it's about $440,000 a year of benefit. With the property taxes, it's $780,000. That's on an ongoing basis stabilized. It's not a small number. It doesn't have anywhere near as many commas in it as the Warriors numbers do but it's definitely letting you know that this project will generate benefits and will benefit the general fund.

We call out property taxes separately because in the greater context of Pier 70, we may be coming back and looking at a financing mechanism that will redirect parts of the property taxes. Even if we do that, there's a fiscal benefit.

There are also benefits to some other special funds through the city. MTA will get $70,000 a year in these special funds coming off property taxes. The potential revenue streams to the port, over time, it could possibly range in our expected case that by 10 to 12 years out we'd be at $600,000-$700,000 a year of rent but that all depends on how the costs and the revenues bear out.

Our next steps will be seeking the Board of Supervisors' endorsement and we will keep refining the project. We'll be back to you in early 2013 and get construction going and get people out there in those businesses.

Commissioner Katz – I'd like to thank you. It's nice to see it may be on the positive side of the ledger. I know when we initially looked at this, proposals were in the negative where we'd have to come up with money.

Commissioner Woo Ho - I think we had passed it in October, but we think the deal is a good structure. We've worked hard to make sure that it also pans out for us financially in the long term. Thank you Kathleen and port staff for doing that.

D. Informational presentation on the Status of the Port of San Francisco's Blue Greenway Projects. This item was postponed to the December 11, 2012 meeting.

Commissioner Woo Ho - Director Moyer, given the time of the hour, I was wondering whether we should postpone Item 9D to another meeting?

Director Moyer - It was at Commissioner Brandon's request that we get it done.

Commissioner Brandon - Prior to the election.

Director Moyer - Prior to November 6th election so I'm okay with it as long as you're okay with it and David is alright with it too.

Commissioner Woo Ho - Yes.

## 10. FINANCE & ADMINISTRATION

A. Request authorization to award Master Contracts to three firms: Parsons Brinkerhoff/Structus Joint Venture, Gerwick/SDE Joint Venture, and Creegan+D'Angelo/AGS Joint Venture for As-Needed Engineering and related Professional Services, each in the amount of $1.5 million, totaling $4.5 million. (Resolution No. 12-91)

Andrés Acevedo - I'm the Contracts Manager for the port. Today we're requesting the Commission's authorization to award master contracts to three firms, Parsons Brinckerhoff /Structus], a joint venture, Gerwick/SDE, a joint venture, and Creegan+D'Angelo AGS, joint venture for as-needed engineering and related professional services contracts, each in the amount of 1.5 million dollars, totaling of 4.5 million dollars.

As you may recall in March 2012, you authorized the port to issue an RFQ for as-needed engineering and related professional services. This is the third time we've issued these contracts out. Our engineering staff uses them for on-call and as-needed engineering, and related professional engineering, services and consulting. We go through a competitive process to issue the contracts. As we utilize it, we issue what's known as contract service orders or CSOs for the actual work. There are work tasks out there. Sometimes those are issued competitively. Other times we might go directly to a firm if they had a particular specialty or they've worked on part of this project before. These usually are relatively small amounts and usually have a short turnaround for the projects.

In June 2012, we issued the RFQ. HRC established an LBE goal for all three contracts of 21 percent, and we received seven proposals. Of those seven, two we established were not responsive and were dropped from any consideration.

We did offer both firms an opportunity to file a protest, and no protest was received. So we ended up with five firms that went on to the full competitive process. We established a review committee consisting of three people, a member of the engineering staff here at the port, an engineer from San Francisco PUC, and an engineer from DPW. All three have extensive experience working in the city and working with various contract engineering firms.

As part of their response, they initially submitted a written proposal. The team reviewed those proposals and scored those proposals. Each of the team was also invited to make an oral presentation and answer specific questions to the team. Those presentations and answers were scored as well.

HRC staff reviewed each of the proposals and awarded LBE bonus points based on their schedule. All three of the winning teams actually received the bonus points - Parsons Brinckerhoff/Structus JV, Gerwick/SDE, another JV, and Creegan+D'Angelo/AGS.

Each of the proposed master contracts will have a three-year term and with an option of the port to extend them for an additional year. Each contract will have a not-to-exceed limit of $1.5 million over the total life of the contracts.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 12-91 was adopted.

B. Accept the Port's Quarterly Report on Contracting Activities for Fiscal Year 2012-13 (July 1, 2012 through September 30, 2012).

Andres Acevedo - Today I'm presenting the quarterly report on contracting activity for the first quarter of the current fiscal year, 2012-2013, July 1, 2012 through September 30, 2012.

The report covers the use of delegated authority by port staff, participation of the local business enterprise program and our effectiveness in the as-needed contracting and the use of CSOs, compliance with city regulations and local-hire requirements and Local 21 staffing activity.

In this quarter, we utilized the executive director's delegated authority in the issuance of three contracts: (1) Reyes Consulting; (2) Media Consulting Services and (3) Creegan+ D'Angelo Engineering, which was resolved in response to the Pier 29 fire, for $180,000. That contract has since been amended and gone up. But that happened after the beginning of the second quarter, so it's not reflected on this report yet.

We issued seven CSOs during the quarter, no individual contract exceeded $200,000.

In terms of local business enterprise, we issued three contracts in the quarter. Only one of the three required LBE participation. There actually was a 50% LBE participation, and that was for the media services. They are a 100% LBE firm, so we got 100% participation. The other two were not subject to LBE requirements. In that quarter, we issued a total of almost $249,000 in contracts.

This slide shows about how much we actually paid contractors during the quarter. These are actual dollar contract expenditures. These are contracts that have started before this quarter in the prior fiscal year or within this quarter. We had 20 as-needed CSOs with a dollar amount of $250,000, nine construction contracts with total payments of $13.4 million. Of that, 14 percent went to LBEs. We had five professional service contracts with total payments of $52,000.

For the as-needed CSOs and professional service contracts, we are at 37% and 48% LBE participation. These are actual dollars that went to the LBEs. This is a snapshot in time.

The construction contracts are below our ideal goal of 20% of all contracts throughout the port. That was driven by one particular contract primarily, and that was the Brannan Street Wharf. That's more a reflection of where we are in the construction of that wharf.

Initially as you probably have seen out there, they've been driving a lot of piles. That's most of the work that's going on. There are no LBE participation opportunities out there. That LBE number will come up later in the construction of that project. That's what you see often with the construction projects. There's

not an even use of LBEs throughout the contract time. In most cases, and we strive to make sure that in every case they meet their LBE mandate. That number will vary from quarter to quarter because it depends, especially with the construction. Overall, we paid almost $14 million in the quarter, and almost $2 million of that went to LBEs.

We're required to report on Local 21 personnel transactions during the quarter. We had one separation and three appointments. One of the appointments was a full time position and two were intern positions.

We currently use DPW, and right now we've actually got 26 projects that DPW is either wholly managing or partially managing for us.

In conclusion, that's the reason why we did not meet our 20% goal in this quarter. We fully expect the contractors to meet their LBE goals. Almost $2 million of the money we spent went to the LBE contractors, and we are also currently working on streamlining our contracting process.

Commissioner Brandon - I have a question on construction contracts, Exhibit 2. I just want to make sure I'm reading it correctly. The first categories are the total contract and what's been spent overall, but not through a time period? Then the second total spending is what's been spent in the first quarter? Is that how you read it?

Andrés Acevedo - No, the first one is the total amount spent on that contract, and the second one is the LBEs, specifically the payments to the LBEs.

Commissioner Brandon - Let's take the Brannan Street Wharf project, the total contract is $13.5 million. The total amount spent for the first quarter is $3.1 million.

Andrés Acevedo - The first one is we have the total contract dollar amount, the total amount spent to-date, and the total LBEs spent to-date. Then the three on the far right side of the table, you've got the total spent for this quarter. That's the total amount we've spent on that contract for the quarter.

Commissioner Brandon - The first category is the contract over time, but it can be two or three years, depending on the contract term.

Andrés Acevedo - Correct, the total life of the contract to-date. If you want to see the total amount we spent within the quarter, it's the third column from the right. The next column is how much we've paid that has gone to LBE contractors within that quarter.

Commissioner Brandon -. If I'm reading this correctly, on total contracts over time on these projects, we've only met 12% of our 20% goal.

Andrés Acevedo - Yes, that is correct, as of this moment in time.

Commissioner Brandon - I want to make that point again that this report is very important. A lot of people want to know this information of how we're doing. There may be an issue that we are not doing enough. I want to make sure that we do this on a quarterly basis. We do it in open session. Instead of just reporting the numbers, tell us what we're going to do to increase those numbers. What is staff doing actively to make sure that those numbers are met during all periods in time?

Andrés Acevedo - One of the first things is doing this report on a quarterly basis. One of the things we want to do is work with the project managers to make sure that we are tracking as we're going on a payment-by-payment basis where they are within meeting their LBE goals. We can look at that and have conversations with the contractors as we go along and keep pushing and asking them, "How are you going to meet this goal?"

With the construction contracts, generally they're less of an issue with that because you have already planned out all the work for that contract. It might be that the LBE is the person doing the drywall and the painting, so they're going to come at the end of the contract. As they're putting up the steel and everything, you're going to see low LBE participation. You're going to all see that at the end. For those, we can keep an eye on that as long as they're meeting that. HRC is reviewing that as well. The issue comes with some of the as-needed contracts and making sure we're tracking that along on that.

Commissioner Woo Ho – They are told in the beginning that the LBE portion of the contract has to be X percent.

Andrés Acevedo - Right.

Commissioner Woo Ho - Do they present a plan at the beginning of the contract of how they're going to meet that goal? Because related to Commissioner Brandon's question, what can they do about it? We can remind them but it seems like we want them to anticipate rather than react and saying, "We didn't meet the goal. Now what are you going to do?"

Elaine Forbes - Thank you for your questions. I did want to point out that the HRC goals are also in this chart for each contract. I don't have the imputed amount, but I don't think all of the comments where it says, "LBE goal actual percent," is actually 20%. Several of these contracts have LBE goals far below 20%, the reason being that the HRC looks at all the trade packages in that construction contract up front and reviews what we can reasonably and aggressively achieve and sets that goal. It's the Port Commission's policy that we get to 20%. We love to get better than and do better than our goals. I just wanted to point out that what we've approved in our contracts are these, for example 9% for the Brannan Street Wharf project, 3% for the Maintenance Dredge contract, which we're actually having trouble meeting because we're not having a lot of offshore disposal for the LBEs.

We do have a plan upfront. The HRC looks at what we can achieve, sets the goal as aggressively as we can reasonably achieve. We look to expand the pool of LBEs in these different trade packages in conjunction and coordination with the HRC to get to the 20% goal. We're always very pleased when we can get over our goal.

For example, with the Cruise Terminal Project, we're showing overall 17%, but our LBE goal is only 14%.

Commissioner Brandon – It's the other way around.

Elaine Forbes - Let me find one where we're exceeding -- the Roundhouse at 16%, but our goal was only 5%. We do make good efforts to get over our goals but a lot of it is working with the availability of LBE subcontractors, which HRC does, and we partner with them in doing that work.

Commissioner Woo Ho - For example, if we just use Dutra, if we see them over a long period of time just not meeting the goal, when they come up again for bidding on a project, do we take into consideration that they were not able to meet the goal or were always below it?

Elaine Forbes - It's a process. It is very good that we're doing this in open session quarterly, as we monitor this with our project managers, we talk to the HRC when a prime is not going to meet their goals and ask, "What's happened? Why aren't they meeting their goals? Is it something the port has done? Is it a change in the scope of the work or have they just failed to meet their goals?" If they just failed to meet their goals, they are fined for not meeting their goals. It's very serious.

If it's something the port has done like change the scope or, for example, with the dredging where there's not enough offshore disposal, we know it's because of a change in the work. We work with the HRC to decide if it's appropriate to fine because they have just failed to meet the terms of their contract.

Going forward, we look to subdivide the work and find other ways to bring in more LBEs as we move forward so the next round of construction contracts we can continue to push that goal setting up.

Commissioner Katz - What struck me here is we seem to be actually exceeding our goals on the smaller contracts, but unfortunately it looks like the larger ones, particularly Turner at Pier 27 and then with the America's Cup, that's really where we've fallen short and then, to some degree, with the Brannan Street Wharf and Dutra also.

What concerns me is we push for LBE participation, but then to your point we need to monitor more carefully, and these reports are good if we do it on a quarterly basis. I'm concerned that the areas that we're falling so short are the

ones that I would have thought we would have actually been able to get more contracts, more LBEs participating, and we shouldn't be below those goals.

Ed Byrne, Chief Harbor Engineer – That's a very good point, Commissioner. I'd like to add that the bigger contracts tend to have more pile driving in them and more of the type of work that requires a large company. It's not going to be an LBE. It's going to be a company that has a significant investment in equipment and everything it takes to drive piles. You've seen these operations that are performed by Dutra, by Vortex, the prime contractors so they don't really figure into the subcontract in goals, even if they were an LBE, which I can't think of any that are. That's what usually happens.

On the smaller ones like the Pier 33½ where we have a lot of interior work on a building where we have drywall, painting, taping, plumbing systems, electrical systems, those have a high amount of LBE participation in those fields, and so we end up doing very well.

Overall, we've done a good job meeting our construction and consulting goals, with the exception of dredging and like Elaine mentioned, dredging is kind of one of those. Dutra is a big company who does dredging. All we really have is trucking. If we have dredge spoils that are toxic or unsuitable for in bay or any disposal around, we'll take them and put them up on the pier at Pier 94/96, let them dry out, and then we truck it out to a landfill. We can get a lot of participation in the trucking business but we haven't had to do any of that because we haven't found anything that was unsuitable. Overall, we've done a very good job of meeting our construction and consulting goals.

Commissioner Brandon - I think we've done a very good job with consulting, but with contracting, we still have room to grow. HRC knows that certain projects are going to have higher or lower goals, which is why there's such a difference. They've set the goals for a reason, and that's because there are contractors out there available to do this work. I kind of don't buy that argument.

Monique Moyer - You saw the annual report two meetings ago when we did meet our goals for the year when it smoothed out. I reported earlier today that we poured cement at Brannan Street last night. That involved LBEs, so you'll see a change in that number at the next quarter. To Mr. Byrne's point, as we get to the interior on the cruise ship terminal project, we'll see a change in those numbers as well. It is a snapshot in time, but I do think that in the last annual report we did a very good job on our contracts. I don't recall there was even one that fell below. Do you recall that, Commissioner?

Commissioner Brandon - I don't recall. I would have to see the report in front of me.

Monique Moyer - I just want to clarify. Elaine picked this up as well. When you say, "open session," we always hear this report in open session. I assume that you mean not on consent.

Commissioner Brandon - Definitely. I would prefer a presentation on this matter.

Ed Byrne - I think your point, Commissioner, might be that the goals are below 20% on some of them and getting those goals up a bit higher.

Commissioner Brandon - It's not even necessarily getting the goals up, it's meeting the goal. Just meeting the goal, not raising it, just meeting it.

Ed Byrne - If we go back and check, I think we've done very well in meeting our goals in almost all of our construction and consulting projects.

Commissioner Brandon - I totally look forward to the next report.

Ed Byrne - We're going to make sure we make it or exceed the goals.

Commissioner Katz - Maybe what might be helpful is when we have the full four quarters or whatever, that we can have that as a comparison too. That would probably address some of the concerns. I wanted to thank all of you because having seen a number of other departments and how they fair, I actually am very proud of the port for setting a higher goal. I do remember some of the other ports. We did meet and exceed the goals that we had set.

## 11. NEW BUSINESS

Monique Moyer - I wanted to mention, Commissioners, at the last meeting you asked us to bring back maritime tenants for review. I wanted to report that it doesn't show on the forward calendar, but we are intending to profile Blue and Gold, the ferry company at the December meeting.

Commissioner Woo Ho, you had asked for a hearing on transportation. We heard some of it today from Peter Albert, but our thought is that if we do that again in January. We'll capture some of the inputs from the next workshop and some of the studying that's going on right away.

Commissioner Brandon had asked for a presentation on the Blue Greenway. In looking at the forward calendar, that's probably best for the January meeting since the December meeting has actually more items.

Commissioner Brandon - I was responding to a call from David Beaupre asking what his next steps should be.

Commissioner Katz - I was the one that had asked for the presentation.

Monique Moyer - My apologies. In any event, if it's okay with you, looking at December's calendar, it looks like maybe January is a better place for it given that we have even more items for December than we had today.

Commissioner Katz - It is one of the reasons I wanted to bring it forward sooner rather than later. In light of all the discussions we had earlier. I do want to make sure that the Blue Greenway is incorporated in everything that's happening along the way.

Monique Moyer - David has a terrific presentation to make, which is very timely. Having said all that is there anything else you'd like to add to the forward calendar or new business in general?

Commissioner Woo Ho - No, I think you've covered the items.

## 12. PUBLIC COMMENT

John Heber - I represent a large, well-known and highly respected development entity that has a strong interest in developing Seawall Lot 337 and Pier 48. For reasons I will provide, it is imperative that the port reissue a request for proposal for the redevelopment of these public trust properties. The San Francisco Chronicle recently reported the Giants' partner, the Cordish Company, has wlthdrawn and is no longer involved with the development of Seawall Lot 337. In reviewing the port's documents, it is not clear if the Cordish Company has actually withdrawn. What I do know is that there is no change more material than a change in ownership. If Cordish is gone from both a legal and public policy perspective, the port has no choice but to reissue the RFP. There is no way the Giants could have won the RFP without Cordish's involvement, nor do they have the development experience to pull off a project of this importance and magnitude. The Giants are a great ball club and built a beautiful stadium; however, they have zero experience in developing complex, mixed use, commercial projects. The Giants/Cordish proposed project contemplates building several million square feet of office space, apartments and retail shops. This is why the RFP required development teams to meet extensive standards and requirements. I am not familiar with one large mixed-use project developed by the Giants. The port's own analysis after countless workshops and staff reports states that the Cordish Company represented the bulk of the development expertise, not the Giants. The fact that the Giants have hired some consultant to help the process does not make them a seasoned developer.

A similar concern is where the Giants are going to get the money. The staff's analysis stated that the proposed project could cost over a billion dollars and require $300-$400 million in equity. The port consultant, Lawrence Brown, after reviewing the Giants and Cordish Company's financial records, stated that the Cordish Company is providing the vast majority of the money. The port's last memorandum anticipates that the Giants will need to get financial support for entitlements and early infrastructure. This is a far cry from being able to raise enough money to construct a billion dollar project.

Seawall Lot 337 is not a Plan B property and deserves more than a Plan B developer. The Giants should not be allowed to shop for a developer partner. Such actions are contrary to the public interest and would imply backdoor dealings, especially after the port has completed an extensive public process. The Giants have also stated in the

Chronicle that they have created a lot of value. Shouldn't that value return to the public through the new issuance of an RFP process?

## 13. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the open session meeting and reconvene in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

The Commission reconvened in closed session at 6:35 p.m.

ACTION: Commissioner Brandon moved approval to adjourn the closed session meeting and reconvene in open session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

The Commission reconvened in closed session at 6:45 p.m.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 6:46 p.m.

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